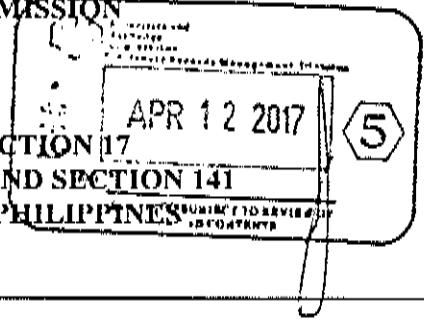


SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES



1. For the fiscal year ended December 31, 2016
2. SEC Identification Number 62596
3. BIR Tax Identification No. 000-163-715-000

KEPPEL PHILIPPINES HOLDINGS, INC.

4. Exact name of registrant as specified in its charter

Philippines

5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

**Unit 3B, Country Space I Bldg., 133 Sen. Gil Puyat Ave., Salcedo Village,
Barangay Bel-Air, Makati City**

7. Address of registrant's principal office Postal Code

(632) 892-1816

8. Registrant's telephone number, including area code

N.A.

9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA

Title of each Class	Number of Shares of Common Stock Outstanding
Common - Class 'A' P1.00 Par Value	36,166,970
Common - Class 'B' P1.00 Par Value	21,636,449
Total	57,803,419
	(Net of Treasury Shares of 15,370,081)

11. Are any or all of the securities listed on a Stock Exchange?

Yes [/] No [] **Philippine Stock Exchange** **Common Shares of Stock**

12. Check whether the registrant:

- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports);

Yes [/] No []

- (b) Has been subject to such filing requirements for the past 90 days.

Yes [/] No []

13. Aggregate market value of the voting stock held by non-affiliates of the registrant:
P58,773,978 as of December 31, 2016 closing price (KPH P5.04 KPHB P7.18)

14. Documents Incorporated By Reference:
None

KEPPEL PHILIPPINES HOLDINGS, INC.
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PART I – BUSINESS AND GENERAL INFORMATION

1 - Business

- (a) **Keppel Philippines Holdings, Inc.** (hereafter Company or KPH) was incorporated in July 1975 under the former name of Keppel Philippines Shipyard, Inc. The Company was established as a subsidiary of Keppel Corporation Ltd. (KCL) of Singapore to carry out ship repair and shipbuilding activities in the Philippines. In 1993, the Company was converted into an investment holding company under the name of Keppel Philippines Holdings, Inc. KPH shares are being traded at the Philippine Stock Exchange (PSE).

Currently, KPH has two core businesses: namely, investment holdings and real estate.

- (b) The Company is not involved in any bankruptcy, receivership or similar proceedings.
- (c) There is no material reclassification, merger, consolidation, purchase or sale of a significant amount of assets not in the ordinary course of business.
- (d) The Company does not have any patents, trademarks, licenses, franchises, concessions, and/or royalty agreements.
- (e) As an investment holding company, KPH only has five (5) regular employees from 2014 to 2016. There is no collective bargaining agreement between the Company and the employees.

(f) **Brief Description of Business**

KPH has two main business segments: Investment Holdings and Real Estate. The contribution from each segment of the businesses to the consolidated revenues and net income of the Company is stated in Note 16 of the audited financial statements.

Real Estate

The Company owns office space at Fedman Suites, while **KPSI Property, Inc.** (KPSI), a wholly owned subsidiary of KPH, owns and leases out the office spaces in Country Space 1 Building at Makati City and at Keppel Center, Cebu City. **Goodwealth Realty Development Corp.** (GRDC), 51% owned by KPH, owns and leases parcels of land and improvements in Batangas City. **Goodsoil Marine Realty, Inc.** (GMRI), wholly owned by GRDC and effectively 51% owned by KPH, owns and leases the land in Bauan, Batangas to Keppel Philippines Marine Inc. (KPMI) used for the construction and repair of all types and classes of vessels together with the related services and operations of a shipyard. GMRI is a PEZA-registered Ecozone Developer/Operator since 2007. **Consort Land, Inc.** (CLI), 25% owned by GMRI and effectively 13% owned by KPH, owns and leases the land in Subic, Zambales to Keppel Subic Shipyard, Inc. (KSSI) used for the construction and repair of all types and classes of vessels. CLI also manages and operates the Subic Shipyard-Special Export Processing Zone and distribute power to locators in Subic Shipyard Marine Industrial park.

2 - Properties

KPH Group owns the following properties:

Owned by	Property Description	Area
KPH	Two (2) office condominium units at Fedman Suite in Makati City	166 sqm
KPSI	Six (6) office condominium units at Country Space I Building in Makati City	1,204 sqm
KPSI	One (1) office condominium unit at Keppel Center in Cebu City	206 sqm
GRDC	Five (5) lots of residential land in Batangas City	1,500 sqm
GRDC	Two (2) residential land and improvement	409 sqm
GMRI	Land located in Bauan, Batangas	249,584 sqm
CLI	Land and building located in Subic, Zambales	721,456 sqm

The properties owned by the Company and its subsidiary and associates are free from any lien.

3 - Legal Proceedings

In September 2003, the Company filed a complaint against Philippine National Oil Company (PNOC) for specific performance with the Regional Trial Court (RTC) in Batangas City for the enforcement of the contract relating to the option to purchase parcels of land in Batangas. Judgment was rendered in January 2006 in favor of the Company ordering PNOC to accept the payment of P4.1 million, which was consigned with the Clerk of Court, as full and complete payment of the purchase price, and to execute a Deed of Absolute Sale in favor of the Company. PNOC, however, filed an appeal with the Court of Appeals (CA). The CA dismissed PNOC's appeal in December 2011.

In July 2012, PNOC filed a petition with the Supreme Court (SC) for review on certiorari of the decision of the CA. In July 2016, the SC affirmed the decision of the CA and upheld the Company's option to buy the land and remanded the case to the RTC of Batangas City for the determination of whether Company meets the required Filipino ownership to allow it to acquire full title to the land. On December 2016, the SC decision became final and executory and was recorded in the Book of Entries of Judgments.

4 - Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the third and fourth quarter of the fiscal year covered by the report. The last meeting of the Company's stockholders was the annual stockholders' meeting, which was held on June 17, 2016.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

5 -Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters

(a) Market Information

The principal market of the Company's common equity is the Philippine Stock Exchange (PSE) where it was listed on 26 August 1987. The high and low closing prices for each quarter within the last two (2) fiscal years and first quarter of 2017 as traded at the Philippine Stock Exchange are as follows:

STOCK PRICES	2016		2015	
	High	Low	High	Low
First Quarter	'A' ₱8.98	'A' ₱4.01	'A' ₱5.50	'A' ₱5.00
	'B' ₱7.48	'B' ₱4.99	'B' ₱5.30	'B' ₱4.82
Second Quarter	'A' ₱8.20	'A' ₱5.10	'A' ₱6.60	'A' ₱5.00
	'B' ₱7.95	'B' ₱4.22	'B' ₱9.00	'B' ₱4.80
Third Quarter	'A' ₱6.41	'A' ₱5.00	'A' ₱6.78	'A' ₱3.60
	'B' ₱6.50	'B' ₱5.23	'B' ₱4.99	'B' ₱4.99
Fourth Quarter	'A' ₱5.99	'A' ₱4.95	'A' ₱6.50	'A' ₱3.70
	'B' ₱7.50	'B' ₱5.22	'B' ₱4.99	'B' ₱4.99

	2017	
	High	Low
First Quarter	'A' ₱5.59	'A' ₱4.06
	'B' ₱5.34	'B' ₱5.26

(b) Holders

The number of shareholders of record as of December 31, 2016 was 430.

Common shares outstanding as of December 31, 2016 were 57,803,419 broken down as follows:

Nationality	Class	No. of Shares	Percentage
Filipino - A	A	36,166,970	62.57
Filipino - B	B	3,869,458	6.69
Foreign	B	17,766,991	30.74
Total		57,803,419	100.00

The top 20 stockholders as of December 31, 2016 are as follows:

	Shareholder	No. of Shares Held	%
1.	Kepwealth, Inc.	30,532,932	52.822
2.	Keppel Corporation Ltd.	16,894,086	29.227
3.	PCD Nominee Corp. – Filipino	6,777,817	11.726
4.	International Container Terminal Services, Inc.	2,121,287	3.670
5.	PCD Nominee Corp. – Foreign	604,916	1.047
6.	Soh Ngoi May	83,179	0.144
7.	Willy Y. C. Lim	60,175	0.104
8.	Edbert G. Tantuco	50,017	0.087
9.	New Court Nominees Ltd.	49,779	0.086
10.	El Observatorio De Manila	45,070	0.078
11.	Emilio C. Tiu	23,238	0.040
12.	National Book Store, Inc.	22,422	0.039
13.	Ang Guan Piao	21,900	0.038
14.	Manolo Z. Alcasabas	21,170	0.037
15.	Willy Yew Chai Lim	20,085	0.035
16.	Yeo Chee Chiow	18,848	0.033
17.	Liwayway Sy	17,938	0.031
18.	Ma. Victoria R. Del Rosario	17,938	0.031
19.	Ramon R. Del Rosario Jr.	17,938	0.031
20.	Dr. Victorino Medrano Jr. &/or Ofelia R. Medrano	13,952	0.024

(c) Dividends

The declaration and payment of dividends will depend, among others, upon the Company's earnings, cash flow, capital requirements and financial condition in addition to other factors. Cash dividends are subject to approval by the Board of Directors but no stockholders' approval is required. Dividends are payable to stockholders whose names are recorded in the stock and transfer books as of the record date fixed by the Board. The Company declared cash dividends in 2016, 2015 and 2014. Details of cash dividend are as follows:

	Y2016	Y2015	Y2014
Date of BOD Approval	June 16	June 19	May 28
Record Date	July 1	July 6	June 13
Payment Date	July 27	July 30	July 9
Amount of Dividend per Share	₱0.10 or 10%	₱0.10 or 10%	₱0.10 or 10%

(d) Recent Sales of Unregistered Securities

There has been no sale of securities within the past three years which were not registered under the SRC. Neither is there any claim for exemption from registration made by the Company.

6 - Management's Discussion and Analysis

Year Ended 2016

Results for the Year

Keppel Philippines Holdings, Inc. (KPH) recorded a net income of ₱23.8 million in 2016 as against ₱26.9 million in 2015 and ₱26.2 million in 2014. The Company achieved revenues of ₱44.4 million this year as against ₱45.0 million in 2015, and ₱45.1 million in 2014. Revenues in 2016 were mainly from rental income, equity share in net earnings of associates, interest income, dividend income and management fees.

The Company realized rental revenue of ₱20.5 million, ₱19.4 million and ₱19.3 million in 2016, 2015 and 2014, respectively, brought by increase in rental rate. The equity share in net earnings of associate, Consort Land, Inc. (CLI), as of December 31, 2016 of ₱10.3 million was lower than in 2015 of ₱14.8 million and in 2014 of ₱20.0 million. This was brought by lower income realized by CLI in 2016. The Company received cash dividend from CLI amounting to ₱11.1 million in 2016, ₱17.5 million in 2015 and ₱14.0 million in 2014.

The Company earned interest income from loans granted to a related company and from short-term deposits amounting to ₱10.6 million in 2016, ₱9.6 million in 2015, and ₱4.7 million in 2014. The interest earned from the loans granted to a related company amounted to ₱10.0 million, ₱8.0 million and ₱2.0 million in 2016, 2015 and 2014, respectively. The increase was brought by the higher short-term loan granted from ₱100.0 million in 2015 to ₱229.5 million in 2016. This was partially offset by lower interest earned from long-term loan due to repayment of principal amounting to ₱50.0 million. The interest earned from short-term deposits amounted to ₱0.6 million, ₱1.6 million and ₱2.7 million in 2016, 2015 and 2014, respectively. The decrease was due to lower funds in short-term deposits.

The Company earned dividend income from an associate of ₱1.6 million in 2016. Management fees charged to related parties amounted to ₱1.4 million in 2016, and ₱1.2 million in 2015, and 2014.

Operating expenses in 2016 amounted to ₱16.7 million, 14% higher as against ₱14.7 million in 2015, and 4% lower as against ₱17.5 million in 2014. Increase in expenses was brought mainly by the impact of the recovered CWT which was previously provided with allowance in prior years and none this year. Salaries and benefits, taxes and licenses, travel and transportation cost, utilities and office supplies also increased and were partially offset by lower depreciation expense, membership dues, professional fees and others.

The Company generated other income of ₱0.3 million this year as against ₱1.3 million in 2015 and ₱1.1 million in 2014. The decrease was brought by reversal of prior years' accrual amounting to ₱0.7 million and commission earned from joint venture agreement with related company of ₱0.3 million in 2015 and ₱0.9 in 2014.

The Company realized other comprehensive income from fair value gain adjustment on AFS financial assets of ₱3.7 million in 2016, ₱0.8 million in 2015 and nil in 2014.

Financial Condition

The cash position of the Company for the year ended December 31, 2016 amounted to ₱24.3 million as against same period last year of ₱55.1 million. The decrease of 56% or ₱30.8 million was brought mainly by the net effect of granting of new loan and repayment amounting to ₱29.5 million, payment of dividends of ₱15.7 million and buy-back of KPH shares amounting to ₱12.7 million. This was partially offset by the receipt of cash dividend of ₱12.7 million, receipt

of interest from loans and deposits of ₱10.2 million and net cash provided by operating activities of ₱4.0 million

Total net receivables this year amounted to ₱353.7 million as against last year of ₱324.2 million. The increase was brought mainly by ₱176.8 million short-term loan with 90-day, interest bearing of 2.8% to 3.2% granted to a related company, increase in interest receivable of ₱1.2 million in 2016 from ₱0.8 million in 2015 and increase in other receivables of ₱1.5 million as against last year of ₱1.2 million. The increase was partially offset by principal payment on long term loan of ₱50.0 million and payment of short-term loan receivable of ₱97.3 million.

Other current assets decreased to ₱0.1 million this year as against ₱1.0 million in 2015. The decrease was due primarily to application of creditable withholding tax and input vat against provision for income tax and output tax.

Available-for-sale financial assets related to a quoted club share as of December 2016 and 2015 amounted to ₱19.5 million and ₱15.8 million, respectively. Investment in an associate decreased from ₱416.0 million in 2015 to ₱415.2 million this year. The decrease was due primarily to lower equity share in net income of CLI of ₱10.3 million this year as against ₱14.9 million 2015. The share was reduced by the cash dividend received from CLI this year amounting to ₱11.1 million as against ₱17.5 million in 2015. Investment properties and Property and equipment decreased from ₱209.9 million in 2015 to ₱209.6 million this period due to depreciation. There was purchase of office equipment amounting to ₱0.03 million this year and nil in 2015.

Total liabilities increased from ₱7.4 million in 2015 to ₱8.6 million this year. The 13.0% increase was due increase in accruals for expenses and provision for income tax.

Total equity as of December 31, 2016 amounted to ₱1,017.9 million and ₱1,018.8 million in December 2015. Retained earnings amounted to ₱438.2 million as of December 2016 as compared to ₱430.7 million in December 2015. The increase was due to net income after non-controlling interests of ₱13.6 million partially offset by cash dividend of ₱6.0 million. The number of treasury shares increased from 12,806,081 shares amounting to ₱9.9 million to 15,370,081 shares at ₱22.6 million. This was due to purchase from the open market of 2,564,000 shares at ₱4.95 per share plus related expenses

The equity attributable to equity holders of the parent amounted to ₱580.9 million and ₱582.4 million as of December 2016 and 2015, respectively. The net book value per share as of December 2016 was ₱10.05 as against same period last year of ₱9.65. The earnings per share attributable to the equity holders of the parent as of December 2016 and 2015 were ₱0.24 and ₱0.22, respectively.

Year Ended 2015

Results for the Year

Keppel Philippines Holdings, Inc. (KPH) recorded a net income of ₱26.9 million in 2015 as against ₱26.2 million in 2014 and ₱20.8 million in 2013. The Company achieved revenues of ₱45.0 million this year as against ₱45.1 million in 2014, and ₱44.7 million in 2013. Revenues in 2015 were mainly from rental income, equity share in net earnings of associates, interest income, and management fees.

The Company realized rental revenue of ₱19.4 million, ₱19.3 million and ₱18.8 million in 2015, 2014 and 2013, respectively, brought by increase in rental rate. The equity share in net earnings of associate, Consort Land, Inc. (CLI), as of December 31, 2015 of ₱14.8 million was lower than in 2014 of ₱20.0 million and in 2013 of ₱17.9 million. This was brought by lower

income realized by CLI in 2015. The Company received cash dividend from CLI amounting to ₱17.5 million in 2015 and ₱14.0 million in 2014 and stock dividend of 6,549,823 shares in 2013.

The Company earned interest income of ₱9.6 million in 2015, ₱4.7 million in 2014 and ₱6.9 in 2013. Out of the ₱9.6 million interest earned by the Company in 2015, ₱8.0 million came from interest on loan granted to related party and ₱1.6 million from short-term deposits. In 2014, interest on loan to related party amounted to ₱2.0 million and nil in 2013. Interest earned from short-term deposits went down to ₱1.6 million this year from ₱2.7 million in 2014 and ₱6.9 million in 2013. This was due to the decrease in short term deposits brought by the payment of dividends and granting of loans to related company

Management fees charged to related parties amounted to ₱1.2 million in 2015, 2014, and 2013.

Operating expenses in 2015 amounted to ₱14.7 million, 16% lower as against ₱17.5 million in 2014, and 32% lower as against ₱21.7 million in 2013. Lower expenses in 2015 was brought by a) the impact of the recovered creditable withholding tax against provisions on input tax amounting to ₱1.5 million b) lower depreciation expense in 2015 amounting to ₱0.4 million as against ₱1.8 million in 2014 and ₱2.3 million in 2013. The decrease was partially offset by higher personnel expenses of ₱7.0 million in 2015 as against ₱6.6 million in 2014 and ₱6.7 million in 2013.

The Company generated other income of ₱1.3 million this year as against ₱1.1 million in 2014 and ₱0.4 million in 2013. The increase was brought by reversal of prior years' accrual amounting to ₱0.7 million and commission earned from joint venture agreement with related company of ₱0.3 million.

The Company realized other comprehensive income from fair value gain adjustment on AFS financial assets of ₱0.8 million as against nil in 2014 and fair value loss of ₱1.5 million in 2013.

Financial Condition

The cash position of the Company for the year ended December 31, 2015 amounted to ₱55.1 million as against same period last year of ₱127.9 million. The decrease of 57% or ₱72.8 million was brought mainly by the loan granted to a related company of ₱100.0 million and dividend payment of ₱14.2 million by KPH. This was offset by receipt of ₱18.2 million dividends, receipt of ₱12.5 million as first installment payment of long-term loan, receipt of interest income from loans and short-term deposits of ₱9.3 million and net cash provided by operating activities of ₱1.5 million.

Total receivables this year amounted to ₱324.2 million as against last year of ₱236.1 million. The increase was by brought mainly by ₱100.0 million short-term loan with 90-day, interest bearing of 2.9% to 3.4% granted to related company, increase in interest receivable of ₱0.8 million in 2015 from ₱0.5 million in 2014 and increase in other receivables of ₱1.2 million as against last year of ₱0.2 million. The increase was partially offset by first installment payment of ₱12.5 million of the ₱200 million long-term loan granted in 2014.

Other current assets increased to ₱1.0 this year as against ₱0.2 million in 2014. The increase was due primarily to net recovery of provision for fully impaired creditable withholding tax and input VAT of ₱1.7 million. This was offset by lower creditable withholding tax as of December 31, 2015 of ₱2.1 million as against ₱3.0 million in 2014.

Available-for-sale financial assets related to a quoted club share as of December 2015 and 2014 amounted to ₱15.8 million and ₱15.0 million, respectively. Investment in an associate decreased from ₱419.6 million in 2014 to ₱416.0 million this year. The decrease was due primarily to lower equity share in net income of CLI of ₱14.9 million this year as against ₱20.0

million 2014. The share was reduced by the cash dividend received from CLI this year amounting to ₱17.5 million as against ₱14.0 million in 2014 and provision for impairment on investment in an associate of ₱0.2 million this year. Investment properties and Property and equipment decreased from ₱210.4 million in 2014 to ₱209.9 million this period due to depreciation. There were no major purchases made in 2015 and 2014.

Total liabilities decreased from ₱7.9 million in 2014 to ₱7.4 million this year. The slight decrease was due to reversal of accruals and provisions.

Total equity as of December 31, 2015 amounted to ₱1,018.8 million and ₱1,005.3 million in December 2014. Retained earnings amounted to ₱430.7 million as of December 2015 as compared to ₱423.5 million in 2014. The increase was due to net income after non-controlling interests of ₱13.2 million partially offset by cash dividend of ₱6.0 million.

The equity attributable to equity holders of the parent amounted to ₱582.4 million and ₱574.4 million as of December 2015 and 2014, respectively. The net book value per share as of December 2015 was ₱9.65 as against same period last year of ₱9.52. The earnings per share attributable to the equity holders of the parent as of December 2015 and 2014 were ₱0.22 and ₱0.20, respectively.

Year Ended 2014

Results for the Year

Keppel Philippines Holdings, Inc. (KPHI) recorded a net income of ₱26.2 million in 2014 as against ₱20.8 million in 2013 and ₱158.1 million in 2012. The Company achieved revenues of ₱45.1 million this year as against ₱44.7 million in 2013, and ₱126.3 million in 2012. Revenues in 2014 were mainly from equity share in net earnings of an associate, rental income, interest income, and management fees.

The Company realized an equity share in net earnings of associates of ₱20.0 million as of December 31, 2014 as against in 2013 of ₱17.9 million and in 2012 of ₱77.2 million. The 2012 share earnings arose from the realized gain on the upstream sale to GMRI amounting to ₱72.5 million and equity share in net earnings of associates of ₱4.7 million.

The rental revenue this year amounted to ₱19.3 million, 2% higher than in 2013 of ₱18.8 million and 8% higher than in 2012 of ₱17.9 million due to increase in rental rate.

The Company earned interest income of ₱4.7 million where in ₱2.7 million came from short-term deposits and ₱2.0 million came from the long-term loan of ₱200.0 million granted to a related company last September 2014. Interest income from short term deposits went down to ₱2.7 million this year from ₱6.9 million in 2013 and ₱14.6 million in 2012. This was due decrease in short term deposits brought by the payment of dividends and the drop of the annual interest rates ranging from 1.0% to 1.4% in 2014 as against 1.0% to 3.5% in 2013 and 3.5% to 4.6% in 2012.

Management fees charged to related parties amounted to ₱1.2 million this year and in 2013 as against ₱0.6 million in 2012. The Company received from an associate, CLI, cash dividend of ₱14.0 million in 2014, stock dividend of 6,549,823 shares in 2013 and cash dividend of ₱16.0 million in 2012 prior to step-acquisition of CLI by GMRI.

Operating expenses in 2014 amounted to ₱17.5 million, lower by 19% as against ₱21.7 million in 2013. Higher expenses were incurred in 2013 primarily due to ₱3.3 million provisions for impairment losses relating to input VAT and withholding tax receivables. Operating expenses in 2014 was 6% higher than in 2012 of ₱17.2 million. This was due to higher personnel

expenses, professional fees, taxes and licenses partially offset by lower depreciation expenses, membership dues and subscriptions.

The Company generated other income of ₱1.1 million this year as against ₱0.4 million in 2013 and ₱52.8 million in 2012. The increase in 2014 as against 2013 was due to reversal of prior years' accrual amounting to ₱0.9 million. Higher income in 2012 of ₱52.8 million came from realized gain on purchase of investment in an associate.

The Company did not realize other comprehensive income from fair value gain or loss adjustment on AFS financial assets this year as against fair value loss of ₱1.5 million in 2013 and gain of ₱5.3 million in 2012. The unrealized gain of ₱72.5 million in 2011 from dividend distributed by Goodwealth Ventures, Inc. (GVI) from its income generated from the sale of its investments in CLI was realized in 2012.

Financial Condition

The cash position of the Company for the year ended December 31, 2014 amounted to ₱127.9 million as against same period last year of ₱312.3 million. The decrease of 59% or ₱184.4 million was brought mainly by the loan granted to a related company of ₱200.0 million and dividend payment of ₱8.5 million by KPH. This was offset by higher lease rental yield and collection.

Receivables-current portion increased from ₱2.0 million in 2013 to ₱13.2 million this year. This was brought mainly by the recognition of ₱13.0 million current portion of ₱200.0 million long-term granted to a related company. Other current assets decreased from ₱0.5 million in 2013 to ₱0.2 million this year. The decrease was due primarily to fully impaired creditable withholding tax.

Available-for-sale financial assets related to a quoted club share as of December 2014 and 2013 amounted to ₱15.0 million. Investment in an associate increased from ₱413.6 million in 2013 to ₱419.6 million this year due primarily to equity share in net income of CLI of ₱20.0 million this year as against ₱17.9 million 2013. The share was reduced by the cash dividend received from CLI this year amounting to ₱14.0 million. Investment properties and Property and equipment decreased from ₱212.1 million in 2013 to ₱210.4 million this period due to depreciation. There were no major purchases made in 2014.

Current liabilities decreased from ₱6.3 million in 2012 to ₱6.2 million this year. The slight decrease was due to reversal of accruals and provisions.

Total equity was ₱1,005.3 million in December 2014 and ₱987.6 million in December 2013. Retained earnings amounted to ₱423.5 million as of December 2014 as compared with ₱417.3 million in 2013. The increase was due to net income after non-controlling interests of ₱12.3 million partially offset by cash dividend of ₱6.0 million, as compared to ₱9.2 million in 2013.

The equity attributable to equity holders of the parent amounted to ₱574.4 million and ₱568.2 million as of December 2014 and 2013, respectively. The net book value per share as of December 2014 was ₱9.52 as against same period last year of ₱9.41. The earnings per share attributable to the equity holders of the parent as of December 2014 and 2013 were ₱0.20 and ₱0.15, respectively.

Plan of Action for 2016

KPH shall focus on maintaining and adding value on its investment properties. Among others, the strategies may include purchase of shares of stock, purchase of additional investment properties, increasing occupancy and rental rates. Certain properties may be considered for sale where it can contribute the best value to the Company and its shareholders. Investment properties of strategic value shall be reviewed for further investments where appropriate.

Key Performance Indicators

The key performance indicators of the Company for the last three (3) fiscal years are follows:

Particulars	2016	2015	2014
Current Ratio (Current Assets/Current Liabilities)	52.22	45.09	26.99
Acid Test Ratio or Quick Ratio (Monetary Current Assets/Current Liabilities)	52.20	44.87	26.96
Solvency Ratio (Net Income + Depreciation)/Total Liabilities	2.80	3.72	3.52
Assets to Equity Ratio	1.01	1.01	1.01
Debt Ratio (Total Liabilities/Total Assets)	0.01	0.01	0.01
Debt to Equity Ratio (Total Liabilities/Stockholders' Equity)	0.01	0.01	0.01
Return on Assets (%) (Net Income/Total Assets)	2.31	2.62	2.59
Return on Equity (%) (Net Income/Stockholders' Equity)	2.33	2.64	2.61
Earnings per Share Attributable to Equity Holders of Parent (₱)	0.24	0.22	0.20

There are no known events that may trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation that was not disclosed. There are no material off-balance sheet transactions, obligations (including contingent obligations), and other relationships of the Company with unsolicited entities or other persons created during the reporting period that has not been disclosed. The Company has no material commitment for capital expenditures for the next 12 months that would need to raise or generate funds for.

There are no trends, events or uncertainties that may have a material effect or impact, whether favorable or unfavorable, on the revenues or income from continuing operations of the Company. The financial condition or results of operations of the Company is not affected by any seasonal change.

7 - Financial Statements

The audited consolidated financial statements as of and for the year ended December 31, 2016 and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

The financial statements attached to the report include the audited statements of financial position, statements of income, statements of comprehensive income, statements of changes in stockholders' equity, statements of cash flows and notes to the financial statements. Such reports form part of the attachment to the SEC Annual Report Form 17-A.

8 - Information on Independent Accountants and Other Related Matters

(a) External Audit Fees and Services

(i) **Audit and Related Fees** - The Company's new auditor for 2016 is Isla Lipana & Co. (PwC) to audit the current year's financial statements. The aggregate fee billed by Isla Lipana for the audit of the Company's annual financial statements was ₱292,228. In 2015 and P2014, payment to Sycip Gorres Velayo & Co. (SGV) amounted to ₱350,000 for 2015 and ₱320,000 for 2014. There were no other services performed by Isla Lipana for 2016 and by SGV for 2015 and 2014. The services performed by the Company's external auditors and the fees are reviewed by the Audit Committee prior to submission to the Board of Directors for approval.

(ii) **Tax Fees** -No tax fees were paid for the years 2016, 2015 and 2014.

(iii) **Other Fees** - No other fees were paid for the years 2016, 2015 and 2014.

(iv) **Audit Committee's Approval Policies & Procedures** - The Committee evaluates proposals based on the quality of service, commitment for deadline and fees. The Committee may require a presentation from each proponent to clarify some issues.

(b) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Accounting standards in accordance with PFRS are stated in Note 2 to the financial statements. For the last three (3) fiscal years, there were no disagreements with the independent accountants relating to accounting principles or practices, financial statements disclosure, or auditing scope or procedure.

PART III – CONTROL AND COMPENSATION INFORMATION

9 - Directors and Executive Officers of the Issuer

(a) Directors, Including Independent Directors and Executive Officers

There are nine (7) members of the Board, two (2) of whom are independent directors. The term of office of each member is one (1) year and the members are elected at the Annual Stockholders' Meeting, to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified. A director who is elected to fill any vacancy holds office for the unexpired portion of the term of his predecessor. The current members of the Board of Directors are the following:

Board of Directors

- (i) **Chow Yew Yuen***, 62, Singaporean, was elected Chairman of the Company in June 2014. He is currently the Chief Executive Director of Keppel Offshore & Marine (Keppel O&M), Ltd. He also serves as a regular member of the Board of Keppel O&M and holds regular directorships on several Keppel subsidiaries including Keppel FELS Ltd., Keppel Shipyard Ltd., Keppel Offshore & Marine Technology Centre Pte. Ltd., FloaTECLLC, Keppel Marine Agencies LLC, Keppel Infrastructure Holdings Pte. Ltd, and Keppel Capital Holdings, Pte. Ltd. He is the Chairman of Keppel AmFELS LLC, Keppel O&M USA, Inc., Keppel FELS Brazil S.A., Keppel Singmarine Pte. Ltd., Keppel Sea Scan Pte. Ltd, Deepwater Technology Group Pte., Ltd., Marine Technology Development Pte. Ltd, and Offshore Technology Development Pte., Ltd. Mr. Chow has a Bachelor of Science degree in Mechanical Engineering with First Class Honours from the University of Newcastle-upon-Tyne. He has attended the Harvard Business School's Advance Management Program. He is the President of Association of Singapore Marine Industries, Chairman of National Work At Heights Safety Taskforce, a member of Workplace Safety and Healthy Council, Singapore Accreditation Council and a member and Director of Singapore Maritime Foundation as well as member of ABS Offshore Technical Committee, ABS Southeast Asia Regional Committee, and DNV GL South East Asia & Pacific Committee. Mr. Chow has been with Keppel companies for more than 32 years and first joined Keppel FELS in 1981 as Project Engineer.

**Resigned as of March 31, 2017*

- (ii) **Stefan Tong Wai Mun**, 44, Malaysian, was elected as President and regular Director in June 2007. He has been a regular Director of Keppel Philippine Properties, Inc. since June 2007 and was elected as regular Director of Keppel Philippines Marine, Inc. in February 2010 and Executive Vice-President in June 2011. He is also a regular Director of various Keppel companies in the Philippines. Mr. Tong graduated from University of Western Australia with a Bachelor's Degree in Accounting and Finance (Honors). He is a Chartered Accountant and a member of the Institute of Chartered Accountants in Australia. He has 20 years of experience in banking, finance and real estate.
- (iii) **Celso P. Vivas**, 70, Filipino, has been elected as an independent Director of Keppel Philippines Holdings, Inc. since June 2005 and is currently the Chairman of the Audit Committee of the Company. Mr. Vivas is a Certified Public Accountant. He is a member of Marubeni Foundation's Board of Trustees and Canadian Chamber of Commerce's Board of Governors. He is an Independent Director and Chairman of the Audit Committee of Keppel Philippines Marine, Inc. and Independent Director and member of the Audit Committee of Keppel Philippines Properties, Inc. He is also a regular Director of Goodsoil Marine Realty, Inc. and Goodwealth Realty Development, Inc., subsidiaries of the Company. He was Risk Consulting Partner and Assurance Business Advisory Partner of SGV & Company until his retirement in 2001. Mr. Vivas obtained his Bachelor's Degree in Business Administration (Cum Laude) from the University of the East. He also obtained a Master's Degree in Business Management from the Asian Institute of Management (SGV & Co. Scholar). He is also a graduate of Company Directors' Course from Australian Institute of Company Directors (ICD Scholar). Mr. Vivas has 50 years of experience in audit, finance, enterprise risk management and corporate governance.

- (iv) **Noel M. Mirasol***, 79, Filipino, was elected Independent Director of the Company in June 2003 and currently a member of its Audit Committee. He currently serves as Special Consultant to the CEO of International Container Terminal Services, Inc. He is also a regular Director and President of ICTSI Georgia Corp.-Cayman Islands. He is also a regular Director of ICTSI Warehousing, Inc., Container Terminal Systems Solutions, Inc. - Mauritius, and Guam-International Container Terminal, Inc., and of other international container terminals both here and abroad. Mr. Mirasol graduated from the De La Salle College, Manila with a Bachelor of Science Degree in Mechanical Engineering. He also obtained Masters of Science Degree in Management from Rensselaer Polytechnic Institute, Troy, New York and a PhD in Operations Research from Case Institute of Technology, Cleveland, Ohio. Mr. Mirasol has 50 years of experience in finance in various industries.

**Resigned as of March 10, 2017*

- (v) **Enrico L. Cordoba****, 45, Filipino, was elected as regular Director of the Company in June 2015 and currently a member of its Audit Committee. He is a holder of a Master's degree in Business Administration at Ateneo Graduate School of Business and Bachelor of Science degree in Mathematics Major in Actuarial Science at University of Santo Tomas. He has also earned the professional designations of Fellow of the Financial Services Institute, Fellow of the Life Management Institute, Associate in Annuity Products and Administration, Associate in Customer Service and Associate in Reinsurance Administration from the Life Office Management Association, as well as the designation of Associate in Research and Planning from the Insurance Institute of America. Currently, he is the Vice President for Corporate Planning of The Insular Life Assurance Co., Ltd. He is a regular director of the Insular Life Management and Development Corp., Insular Life Foundation and PPI Prime Venture, Inc. He is also a Professional Lecturer for Management Science at De La Salle University Graduate School of Business. He has more than 20 years of experience in his area of expertise.

***Resigned as of 16 December 2016*

- (vi) **Mr. Edmund Mah Soot Khiang**, 48, Malaysian, was elected as regular Director of the Company on February 19, 2016. He is also a Director of Keppel Philippines Marine Inc. since 03 June 2010. He is currently the General Manager (Finance) of Keppel Offshore & Marine Ltd. He was previously the Financial Controller of Keppel Shipyard Ltd. Mr. Mah graduated from the University of Adelaide in South Australia with a Bachelor's Degree in Economics. He also holds a Master of Business Administration obtained from the University of Strathclyde of United Kingdom. He is a member of CPA Australia and Malaysian Institute of Accountants. He has more than 25 years working experience in accounting and finance.

- (vii) **Felicidad V. Razon**, 56, Filipino, was elected as a regular Director of the Company last May 2014. She joined the Company as Finance Manager in May 2008 and was elected as Treasurer in June 2008 and was appointed as Vice President/Treasurer and Compliance Officer in November 2013. She is also a Chairman/President of Goodsoil Marine Realty, Inc. and Goodwealth Realty Development Corp., regular director and Treasurer of Kepwealth Property Philippines, Inc., President of Consort Land, Inc. and Keppel Center Condominium Inc. and Finance Manager of KPH related companies. She graduated from Polytechnic University of the Philippines with Bachelor of Science Degree in Commerce major in Accountancy and a Certified Public Accountant.

Executive Officers

- (i) **Stefan Tong Wai Mun**, President – (See foregoing Director’s profile)
- (ii) **Felicidad V. Razon**, Vice President/Treasurer – (See foregoing Director’s profile)
- (iii) **Ma. Melva E. Valdez**, Corporate Secretary – 57, Filipino, holder of degrees of Bachelor of Arts in Political Science and Bachelor of Laws from the University of the Philippines, has been the Corporate Secretary of the Company since 1998 and a regular Director since 2001 up to June 2016. She is a name Partner of the law firm of Bello Valdez Caluya and Fernandez Law Offices. She is also currently Corporate Secretary of Keppel Philippines Properties, Inc. and Mabuhay Vinyl Corporation (both listed companies) and Keppel Philippines Marine, Inc. (a public company). She is likewise the Corporate Secretary of Asian Institute of Management and Keppel Subic Shipyard, Inc., and various Keppel companies in the Philippines and Director of Leighton Contractors (Phils.) Inc. Atty. Valdez has more than 31 years of working experience in her field of profession as a lawyer.
- (iv) **Lory Anne P. Manuel-McMullin**, 47, Filipino, has been the Asst. Corporate Secretary of the Company since 1998. She is also the Asst. Corporate Secretary of Keppel Philippines Marine, Inc. (a public company), Kepwealth Property Phils., Inc., Phil. Nagano Seiko, Inc., Cavite Nagano Seiko, Inc., South Sea Nagano Dev. Inc., Karumona Nagano Seiko, Inc., Mitsuba Philippines Technical Center Corp., Logwin Air + Ocean Phils., Inc., Goodsoil Marine Realty, Inc., Goodwealth Realty Dev. Corp., Goodwealth Ventures, Inc., KPSI Property, Inc., Keppel Batangas Shipyard, Inc., Consort Capital, Inc., Kepwealth, Inc. and Kepventure, Inc. She is also a regular Director and Corporate Secretary/Treasurer of Cominix (Philippines), Inc.; Director/Corporate Secretary of Mektec (Philippines) Corp., Tokai Precision Philippines, Inc. and A + O Distribution Corp.; Director of Yosemite Holdings, Inc., Cushman Wakefield Philippines, Inc. and Shopee Philippines, Inc.; Corporate Secretary of Nachi Pilipinas Industries, Inc., Technol Eight Philippines Corp., CMC Communications (Philippines), Inc., Sumi Philippines Wiring Systems Corp. and Saint-Gobain Philippines Co. Ltd., Inc.; Chief Representative of Charabot S.A. and Resident Agent of Mektec Corp. (Singapore) Pte. Ltd., Entel HK Ltd., Roquette Singapore Pte. Ltd. and SEB Asia Ltd. Atty. McMullin is a Junior Partner of JGLaw Offices. She graduated from the University of Santo Tomas with Bachelor’s degrees in Communication Arts and Laws.

(b) Significant Employees

There are no employees other than the officers mentioned in the preceding subsection who are expected to make a significant contribution to the business.

(c) Family Relationship

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among directors, officers, and persons nominated or chosen by the company to become directors, officers, any security holder of certain record, beneficial owner or management.

(d) Involvement in Certain Legal Proceedings

To the knowledge and/or information of the Company, none of the directors and officers was involved in any bankruptcy proceedings during the last five (5) years. Neither have they been convicted by final judgment in any criminal proceedings, or been subjected to any order, judgment or decree of any court of jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in an action by any court or administrative bodies to have violated a securities and commodities law or regulation.

10 - Executive Compensation

As the Company is an investment holding company, it has only two (2) executive officers, namely the President and Vice President - Treasurer.

The total aggregate compensation (inclusive of perquisites and other personal benefits) of the senior officers of the Company during the last two (2) fiscal years and the projected aggregate compensation to be paid for the current fiscal year are as follows:

Description	Year	Salary	Bonus	Other Annual Compensation
Aggregate for All Officers	2017 Estimate	₱4,760,000	None	None
	2016	₱4,690,000	None	None
	2015	₱4,530,000	None	None
Aggregate for All Officers & Directors as a Group	2017	₱5,110,000	None	None
	2016	₱5,100,000	None	None
	2015	₱5,020,000	None	None

Under the Company's By-Laws, directors shall receive such compensation for their services from time to time as maybe fixed by the stockholders. There are no warrants or options held by the Company's officers and directors. The Company does not have any other arrangements pursuant to which any director is compensated directly or indirectly for any service provided as a director. There are also no special employment contracts with executive officers of the Company. The Company has no existing options, warrants or rights to purchase any securities.

11- Security Ownership of Certain Record and Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2016, the Company knows of no one who beneficially owns in excess of 5% of the Company's common stock except as set forth in the table below:

Title of Class	Name, Address of Record/ Beneficial Owner	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common	Kepwealth, Inc. ¹ Unit 3B, Country Space 1 Bldg, 133 Sen. Gil J. Puyat Ave., Salcedo Village, Brgy. Bel-Air, Makati City	None	Filipino	'A': 28,817,184 'B': 1,715,748 30,532,932	52.82
Common	Keppel Corporation Ltd. ² 1 Harbour Front Ave., #18-01 Keppel Bay Tower, Singapore 098632	None	Singaporean	'B': 16,894,086	29.23
Common	PCD Nominee Corp. ³ 37/F Enterprise Bldg., Ayala Avenue, Makati City		Filipino Filipino Foreign	'A': 4,723,948 'B': 2,053,869 'B': 604,916 7,382,733	12.77

- Kepwealth, Inc. is majority-owned by Kepventure, Inc. The Chairman, or in his absence, the President of Kepwealth, Inc. is duly authorized as proxy to vote in the shares of Kepwealth, Inc. in the Company.*
- Keppel Corporation Ltd. (KCL) is listed in the Singapore Stock Exchange. The Chairman of the Board or in his absence, the President or in his absence the Chairman of the meeting shall have the right to vote or direct voting or disposition of the shareholdings of KCL in the Company.*
- PCD Nominee Corp. is a wholly-owned subsidiary of the Philippine Central Depository, Inc. (PCD). It is the registered owner of the shares in the books of the Company's transfer agents in the Philippines. The beneficial owners of such shares are PCD's participants. PCD holds the shares on their (beneficial owner behalf or on behalf of their (PCD) clients. PCD is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines.*

Security Ownership of Management as of December 31, 2016

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Chow Yew Yuen / Chairman / Director	'B': 1(r)	Singaporean	-
	Stefan Tong Wai Mun / President / Director	'B': 1(r)	Malaysian	-
	Celso P. Vivas / Independent Director	'A': 1(r)	Filipino	-
	Noel M. Mirasol / Independent Director	'B': 1(r)	Filipino	-
	Edmund Mah Soot Khiang/Director	'B': 1(r)	Singaporean	-
	Felicidad V. Razon /Vice President-Treasurer /Director	'A': 1(r)	Filipino	-
	Ma. Melva E. Valdez /Corporate Secretary	-	Filipino	-
	Lory Anne P. Manuel-McMullin / Asst. Corp. Sec.	-	Filipino	-

Free float level

The Company has 17.95% or 10,376,395 shares owned by the public out of the 57,803,419 total outstanding shares as of December 31, 2016.

12 - Certain Relationships and Related Transactions

In the ordinary course of business, the Company has transactions with its affiliates. The significant transactions with affiliates are as follows:

- (a) Since 1993, GMRI has lease agreement with Keppel Philippines Marine, Inc. (KPMI) for a period of 50 years, covering the property which is the site of KPMI's shipyard. The annual lease rate amounted to ₱10.4 million and is subject to escalation clause of 2% after every five (5) years. Rent income based on straight-line method amounted to ₱9.6 million in 2016, 2015, and 2014. Total outstanding balance of lease receivables amounted to ₱33.9 million and ₱34.6 million as of December 31, 2016 and 2015, respectively. Advance rentals and deposits of KPMI amounted to ₱0.1 million as of December 31, 2016 and 2015, respectively.

GMRI also leases a parcel of land for one year from January 1, 2016 to December 31, 2016. The lease contract was renewed for another year effective January 1, 2017. Rental income derived from these transactions amounted to ₱0.4 million in 2016, 2015 and 2014.

- (b) GRDC leased its properties to KPMI for one year and renewable annually. Rental income derived from this transaction amounted to ₱0.2 million in 2016, 2015 and 2014. The outstanding balance of lease receivable amounted to ₱0.02 million as of December 31, 2016 and 2015, respectively.
- (c) KPSI leases certain properties to KPMI, Keppel IVI Investments, Inc., Kepwealth Property Phils, Inc. and Keppel Energy Consultancy, Inc., its affiliates, for a period of one year, renewable annually. Rental income derived from the lease amounted to ₱1.3 million in 2016 and 2015 and ₱1.2 million in 2014.
- (d) KPH and KPMI has an existing land lease agreement on a piece of land which is the subject of complaint against the Philippine National Oil Company (PNOC). The monthly rent for the said piece of land is ₱0.2 million for a period of one year, subject to yearly renewal. In July 2016, the lease agreement was renewed for another year without increase. Rental income derived from the land amounted to ₱2.1 million in 2016 and 2015, and ₱2.0 million in 2014. Outstanding balance of lease receivables amounted to ₱0.2 million and nil as of December 31, 2016 and 2015. Advance rentals and deposits amounted to ₱0.4 million as of December 31, 2016 and 2015.
- (e) In September 2014, GMRI granted a long-term interest bearing loan to KPMI amounting to ₱200.0 million. The loan has five-year term, 15-month grace period on principal payment and payable in equal quarterly installment. The loan is subject to interest repricing on semi-annual basis. The loan has an option for prepayment. The interest rate applied ranges from 3.5% to 3.8% in 2016 and from 3.5% to 4.0% in 2015. Outstanding long-term loan amounted to ₱137.5 million as of December 31, 2016 and ₱187.5 million as of December 31, 2015. Interest income recognized amounted to ₱5.7 million, ₱7.4 million, and ₱2.0 million in 2016, 2015 and 2014, respectively.

In December 2015, GMRI started to grant short-term loan to KPMI amounting to ₱15.0 million with term of 45 days and interest rate of 2.9%. In 2016, KPMI obtained several short-term loans which amounted to ₱82.8 million for 45 to 90 days at interest rates ranging from 2.6% to 3.2%. Interest earned from the short-term loan receivable amounted to ₱ 1.5

million in 2016 and ₱0.03 million in 2015. Outstanding short-term loan receivable as of December 31, 2016 amounted to ₱87.5 million and ₱15.0 million in 2015.

- (f) In June 2015, KPH started to grant short-term loan to KPML. Total loans granted in 2015 amounted to ₱116.0 million with term of 45 to 90 days with interest ranging from 2.9% to 3.4%. As of December 31, 2015, the loan balance of ₱85.0 million of which ₱57.0 million was paid in 2016. In 2016, new loans were granted amounting to ₱64.0 million with term of 90 days and interest ranging from 2.8% to 3.1%. Interest income recognized by KPH from these loans amounted to ₱2.5 million and ₱0.5 million in 2016 and 2015, respectively. As of December 31, 2016, outstanding loan balance is ₱77.0 million. Accrued interest receivable amounted to ₱0.4 million and ₱0.3 million as of December 31, 2016 and 2015, respectively.
- (g) In February 23, 2016, KPSI granted grant short-term loan to KPML amounting to P15.0 million with 90-day term and interest of 3.2%. Upon maturity, interest was paid and the principal loan was extended for another 90 days with interest of 2.9% until August 21, 2016 where the principal loan and interest were fully paid. In October 17, 2016, the Company granted short-term loan of P15.0 million with 90-day term and interest of 3.2%. Interest income recognized by the Company amounted to P0.3 million and accrued interest receivable of P0.1 million as of December 31, 2016.
- (h) KPH provides accounting and management services to related and affiliates: Keppel Energy Consultancy Inc., Kepwealth Inc., Kepventure, Inc., Keppel IVI Investments Inc. and Kepwealth Property Phils, Inc. Management fees earned amounted to ₱1.7 million in 2016, and ₱ 1.5 million in 2015 and 2014. As of December 31, 2016, there was no intention from any of the parties to terminate the management services.
- (i) In 2014, KPH entered into a Memorandum of Understanding (MOU) with KPML to assist the latter in providing the relevant documents required to qualify to bid for projects for a 1% share in revenue. KPH received commission of ₱0.3 million in July 2015 and nil in 2016.
- (j) Other transactions with related parties consist of reimbursements or sharing of common expenses such as legal, communication and business development expenses.

PART IV - CORPORATE GOVERNANCE

13 – Corporate Governance

As per SEC Memo Circular No. 20, Series of 2016, publicly-listed companies such as KPH is required to attach the 'Consolidated Change in the ACGR for 2016' to their 2016 Annual Report (SEC Form 17-A): said changes, however, are due to submission to the SEC on or before May 30, 2017.

PART V - EXHIBITS AND SCHEDULES

14 - Exhibits and Reports on SEC Form 17-A

(a) **Exhibits** – See accompanying Index to Exhibits

(b) **Reports on SEC Form 17-C** – The Company has filed all reports on Form 17-C (Current Report) on matters needed in compliance with the SEC's SRC during the fiscal year 2016 as follows:

January 29, 2016	Board of Directors' approval of KPH's 2015 SEC Form 17-A (Annual Report and Audited Financial Statements (AFS) for the year ended 31 December 2015 and release of said AFS
February 15, 2016	Announcement re untimely demise of its Director, Mr. Toh Ko Lin
February 22, 2016	Election of Mr. Edmund Mah Soot Khiang as new Director and Appointment as Chairman of the Nomination Committee and Compensation Committee as well as member of the Executive and Audit Committees
	Setting of date of the Annual Stockholders Meeting on June 17, 2016 and the record date for stockholders entitled to notice of and to vote at said meeting on May 18, 2016.
May 3, 2016	Notice and Agenda re Details for Annual Stockholders Meeting on June 17, 2016
May 11, 2016	Appointment of new external auditor – Isla Lipana & Co. (PwC)
	Board approval of the amendment of Articles of Incorporation & By-laws to change the number of Board of Directors from nine to seven members
	Amendment of the time, place and agenda of the annual stockholders meeting
	Amendment of the agenda to include the approval of the amendment of Articles of Incorporation and By-laws
June 20, 2016	Result of Board of Directors Meeting - June 17, 2016 <ul style="list-style-type: none"> • Approval of Directors' Remuneration for 2015 • Declaration of Cash Dividend - declaration of 10% or P0.10 per share cash dividend to all stockholders of record of the Company as of July 1, 2016 to be paid on or before July 27, 2016
June 20, 2016	Results of the Annual Stockholders Meeting Held on June 17, 2016 <ul style="list-style-type: none"> • Appointment of External Auditor, Isla Lipana & Co. (PwC) for the financial year 2016 • Election of Directors for year 2016-2017 • Approval of the Corporation's Audited Financial Statements for the year ended December 31, 2015 • Approval of Directors' Annual Remuneration of P60,000 for 2015 • Amendment of the Corporation's Articles of Incorporation and By-Laws re decrease in the number of the directors from nine (9) to seven (7)
June 20, 2016	Results of Organizational Meeting – June 17, 2016 <ul style="list-style-type: none"> • Election of Officers for the ensuing year 2016-2017 • Appointment of chairman, members of the various committees and compliance officer/corporate information officer
July 13, 2016	Securities & Exchange Commission (SEC) approval on the Amendment of Articles of Incorporation and By-laws dated 07 July 2016 re decrease in the number of the Board of Directors from nine (9) to seven (7)
November 11, 2016	Reappointment of Securities Transfer Services Inc. as Stock Transfer agent and Dividend Paying Agent effective October 28, 2016
	Approval on the buy-back of Company shares up to three million shares and form part of the treasury shares
December 6, 2016	Report on the Corporation's buy back on 29 November 2016 of its 2,564,000 Common Class A shares at P4.95 per share or a total amount of P12,691,800.00 and thereafter details of the treasury and outstanding shares of the Corporation
December 19, 2016	Resignation of Mr. Enrico L. Cordoba as a member of the Board of Directors as well as member of the Audit Committee and Compensation Committee effective December 16, 2016

Upon the written request of the stockholder, the Company undertakes to furnish said stockholder a copy of SEC Form 17-A free of charge, except for exhibits attached thereto which shall be charged at cost. Any written request for a copy of SEC Form 17-A shall be addressed as follows:

**Keppel Philippines Holdings, Inc.
Unit 3B Country Space 1 Building
133 Sen. Gil Puyat Avenue, Salcedo Village
Barangay Bel-Air, Makati City 1200**

Attn: The Corporate Secretary

SIGNATURES


Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Makati on April, 2017.

KEPPEL PHILIPPINES HOLDINGS, INC.

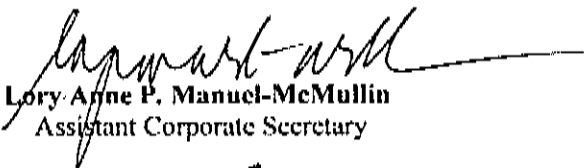
Issuer

By:


Stefan Tong Wai Mun
President


Felicidad V. Razon
Vice President / Treasurer


Out of the Country
Ma. Melva E. Valdez
Corporate Secretary


Lory Anne P. Manuel-McMullin
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this **APR 03 2017** day of April 2017; affiants exhibiting to me their Tax Identification Numbers (TIN), as follows:

<u>Names</u>	<u>Tax Identification Numbers</u>
Stefan Tong Wai Mun	201-588-126
Felicidad V. Razon	112-748-156
Ma. Melva E. Valdez	123-493-209
Lory Anne P. Manuel-McMullin	176-791-662

Doc No. 2/2
Page No. 44
Book No. XIX
Series of 2017.


ATTY. SERVACIO B. ORTIZ JR.
Notary Public, City of Makati
Until December 31, 2018
IBP No. 656155 Lifetime Member
MCLC Compliance No. V-0006874
Appointment No. M-104-(2017) 20 (2)
PTR No. 5909514 Jan. 3, 2017
Makati City Roll No. 20091
101 Urban Ave. Campus Ruano Bldg.
Brgy. Pio del Pilar, Makati City

**FINANCIAL STATEMENTS &
SUPPLEMENTARY SCHEDULES**

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

K	E	P	P	E	L		P	H	I	L	I	P	P	I	N	E	S		H	O	L	D	I	N	G	S	,		
I	N	C	.				A	N	D																				

PRINCIPAL OFFICE (No./Street/Barangay/City/Town/Province)

U	N	I	T		3	-	B	.		C	O	U	N	T	R	Y		S	P	A	C	E		1				
B	U	I	L	D	I	N	G	,		1	3	3		S	E	N	.		G	I	L		P	U	Y	A	T	
A	V	E	N	U	E	,		S	A	L	C	E	D	O		V	I	L	L	A	G	E	,					
B	A	R	A	N	G	A	Y		B	E	L	-	A	I	R	,		M	A	K	A	T	I		C	I	T	Y

Form Type

A	A	F	S
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Department requiring the report

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Secondary License Type, if Applicable

-	-	-	-
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COMPANY INFORMATION

Company's Email Address
Info@keppelph.com

Company's Telephone Number/s
02-8921820

Mobile Number
-

No. of Stockholders
**430 as of
December 31, 2016**

Annual Meeting (Month/Day)
Any day in June

Fiscal Year (Month/Day)
December 31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person
Stefan Tong Wal Mun

Email Address
Info@keppelph.com

Telephone Number/s
02-8921820

Mobile Number
--

CONTACT PERSON'S ADDRESS

**Unit 3B Country Space 1 Building, 133 Sen. Gil Puyat Avenue,
Salcedo Village, Barangay Bel-Air, Makati City**

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

Keppel Philippines Holdings, Inc.
Head Office
3B Country Space 1 Bldg.
Sen. Gil Puyat Avenue
Salcedo Village Makati City, Philippines

Tel.: (632) 892 1816
Tel.: (632) 892 1820 to 24
Fax: (632) 8152581, 8943684
Email: info@keppelph.com

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**


The management of **KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES** (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules therein, for the years ended **December 31, 2016 and 2015**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

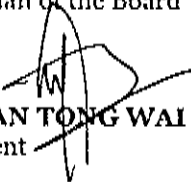
The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein and submits the same to the stockholders.

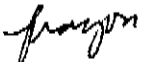
Isla Lipana & Co., and Sycip Gorres Velayo & Co., the independent auditors appointed by the shareholders for the years ended December 31, 2016 and 2015, respectively, have audited the financial statements of the Company in accordance with Philippines Standards on Auditing, and in its report to the shareholders, have expressed its opinion on the fairness of presentation upon completion of such audit.



CHOW YEW YUEN
Chairman of the Board



STEFAN TONG WAI MUN
President



FELICIDAD V. RAZON
Vice President/Treasurer

Signed this 25th day of January 2017

ACKNOWLEDGEMENT

Republic of the Philippines) S.S.
City of Makati)

BEFORE ME, a Notary Public for and in the City of Makati, Philippines, on this APR 03 2017
day of _____; affiants exhibiting to me their Tax Identification Numbers (TIN) as
follows:

<u>Name</u>	<u>Tax Identification Numbers</u>
Stefan Tong Wai Mun	201-588-126
Felicidad V. Razon	112-748-156
Chow Yew Yen	453-652-285

ATTY. NOTARY PUBLIC, ATIZ JR.
Notary Public (C) of Makati
Until December 31, 2018
IBP No. 656195-Lifetime Member
MCLC Compliance No. V-0006034
Appointment No. M-104-(2017-2018)
PTR No. 5908514 Jan. 3, 2017
Makati City Roll No. 40091
101 Urban Ave. Campus Square Bldg.
Drgy. Pio del Pilar, Makati City

Doc. No. 211
Page No. 11
Book No. XVII
Series of 2017 _____



Isla Lipana & Co.

Independent Auditor's Report

To the Board of Directors and Shareholders of
Keppel Philippines Holdings, Inc. and Subsidiaries
Unit 3-B, Country Space 1 Building
133 Sen. Gil Puyat Avenue, Salcedo Village
Barangay Bel-Air
Makati City

Our Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Keppel Philippines Holdings, Inc. (the "Parent Company") and its subsidiaries (together, the "Group") as at December 31, 2016, and the consolidated financial performance and consolidated cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

What we have audited

The consolidated financial statements of the Group comprise:

- the consolidated statement of financial position as at December 31, 2016;
- the consolidated statement of income for the year ended December 31, 2016;
- the consolidated statement of total comprehensive income for the year ended December 31, 2016;
- the consolidated statement of changes in equity for the year ended December 31, 2016;
- the consolidated statement of cash flows for the year ended December 31, 2016; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 845 2728, F: +63 (2) 845 2806, www.pwc.com/ph



Independent Auditor's Report
To the Board of Directors and Shareholders of
Keppel Philippines Holdings, Inc. and Subsidiaries
Page 2

Independence

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is summarized as follows:

- Assessment of recoverability of investment properties



Independent Auditor's Report
 To the Board of Directors and Shareholders of
 Keppel Philippines Holdings, Inc. and Subsidiaries
 Page 3

Key Audit Matter	How our Audit Addressed the Key Audit Matter
<p>Assessment of recoverability of investment properties</p> <p>Refer to Note 7 for the details of the Group's investment properties and to Note 19.2 (c) for the discussion on critical accounting judgment.</p> <p><i>This is an area of focus mainly due to the number of investment properties held by the Group. The account, which represents 20% of total assets, is part of the Group's real estate business segment.</i></p>	<p>We addressed the matter through inspection of significant long and short-term lease contracts. The objective of this procedure is to obtain comfort over the sustainability of cash flows from leasing contracts. The inspection procedures included thorough understanding of the terms and conditions of the underlying lease contracts as well as the state of the individual assets. Our inspection did not note any cancellation or potential cancellation of existing lease agreements.</p> <p>Additionally, we examined the latest appraisal report prepared by a third party appraiser and noted that the aggregate and individual fair values of the investment properties are higher than their respective carrying amount. Comfort over the reliability of the appraisal report was obtained through independent verification of certain fair value assumptions (i.e. similar market listing in the area) over the Group's land properties, which comprised approximately 98% of the total carrying amount of the account. We also verified the independence and competency of the third-party appraiser.</p> <p>The results of procedures performed and discussions with management did not note any indicators of impairment as at December 31, 2016.</p>



Independent Auditor's Report
To the Board of Directors and Shareholders of
Keppel Philippines Holdings, Inc. and Subsidiaries
Page 4

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report, but do not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability of each entity within the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



Independent Auditor's Report
To the Board of Directors and Shareholders of
Keppel Philippines Holdings, Inc. and Subsidiaries
Page 5

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of each entity within the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause an entity within the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Isla Lipana & Co.

Independent Auditor's Report
To the Board of Directors and Shareholders of
Keppel Philippines Holdings, Inc. and Subsidiaries
Page 6

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

The consolidated financial statements as at December 31, 2015 and for the years ended December 31, 2015 and 2014 were audited by another auditor whose report thereon dated January 28, 2016, expressed an unmodified opinion on those statements. Our opinion is not qualified in respect of this matter.

The engagement partner on the audit resulting in this independent auditor's report is Roderick M. Danao.

Isla Lipana & Co.

Roderick M. Danao
Partner

CPA Cert. No. 88453

P.T.R. No. 0011280, issued on January 6, 2017, Makati City

SEC A.N. (individual) as general auditors 1585-A, Category A; effective until September 27, 2019

SEC A.N. (firm) as general auditors 0009-FR-4; Category A; effective until July 15, 2018

TIN 152-015-078

BIR A.N. 08-000745-42-2015, issued on January 29, 2015; effective until January 28, 2018

BOA/PRC Reg. No. 0142, with extended validity until April 30, 2017 pursuant to

Board Resolution No. 37 series of 2017

Makati City
January 25, 2017



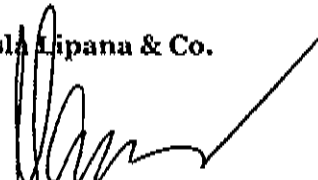
Isla Lipana & Co.

Statements Required by Rule 68,
Securities Regulation Code (SRC),
As Amended on October 20, 2011

To the Board of Directors and Shareholders of
Keppel Philippines Holdings, Inc. and Subsidiaries
Unit 3-B, Country Space 1 Building
133 Sen. Gil Puyat Avenue, Salcedo Village
Barangay Bel-Air
Makati City

We have audited the consolidated financial statements of Keppel Philippines Holdings, Inc. and Subsidiaries as at and for the year ended December 31, 2016, on which we have rendered the attached report dated January 25, 2017. The supplementary information shown in the Schedule of Philippine Financial Reporting Standards and Interpretations effective as at December 31, 2016, Reconciliation of Retained Earnings for Dividend Declaration, Map of the Group of Companies within which the Reporting Entity Belongs, and Key Financial Ratios as required by Part I, Section 4 of Rule 68 of the SRC, and Schedules A, B, C, D, E, F, G, and H as required by Part II, Section 6 of Rule 68 of the SRC, are presented for purposes of filing with the Securities and Exchange Commission and are not required parts of the basic consolidated financial statements. Such supplementary information are the responsibility of management and have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements. In our opinion, the supplementary information have been prepared in accordance with Parts I and II of Rule 68 of the SRC.

Isla Lipana & Co.


Roderick M. Danao
Partner

CPA Cert. No. 88453

P.T.R. No. 0011280, issued on January 6, 2017, Makati City

SEC A.N. (individual) as general auditors 1585-A, Category A; effective until September 27, 2019

SEC A.N. (firm) as general auditors 0009-FR-4; Category A; effective until July 15, 2018

TIN 152-015-078

BIR A.N. 08-000745-42-2015, issued on January 29, 2015; effective until January 28, 2018

BOA/PRC Reg. No. 0142, with extended validity until April 30, 2017 pursuant to

Board Resolution No. 37 series of 2017

Makati City
January 25, 2017

Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 845 2728, F: +63 (2) 845 2806, www.pwc.com/ph

Keppel Philippines Holdings, Inc. and Subsidiaries

Consolidated Statement of Financial Position
As at December 31, 2016
(With comparative figures as at December 31, 2015)
(All amounts in Philippine Peso)

	Notes	2016	2015
ASSETS			
Current assets			
Cash and cash equivalents	2	24,316,162	55,133,375
Receivables, net	3	232,306,644	152,045,762
Other current assets, net	4	111,025	1,013,265
Total current assets		256,733,831	208,192,402
Non-current assets			
Available-for-sale financial assets, net	5	19,500,001	15,800,001
Investment in associates	6	415,186,323	415,975,059
Loan receivables, net of current portion	3	87,500,000	137,500,000
Lease receivables, net of current portion	3	33,855,989	34,624,961
Investment properties, net	7	209,521,488	209,914,690
Property and equipment, net	8	33,515	18,143
Other non-current assets		4,140,710	4,140,710
Total non-current assets		769,738,026	817,973,564
Total assets		1,026,471,857	1,026,165,966
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and other current liabilities	9	3,599,231	2,967,869
Refundable deposits	10	822,239	1,336,416
Income tax payable	14	494,962	313,139
Total current liabilities		4,916,432	4,617,424
Non-current liabilities			
Advance rentals	10	841,267	459,049
Refundable deposits	10	1,124,600	549,341
Deferred income tax liability	14	1,737,892	1,732,546
Total non-current liabilities		3,703,759	2,740,936
Total liabilities		8,620,191	7,358,360
Equity			
Share capital	11	73,173,500	73,173,500
Share premium		73,203,734	73,203,734
Retained earnings	12	438,203,772	430,671,948
Investment revaluation reserve	5	18,922,058	15,222,058
Treasury shares	12	(22,622,976)	(9,898,178)
		580,880,088	582,373,062
Non-controlling interests	20	436,971,578	436,434,544
Total equity		1,017,851,666	1,018,807,606
Total liabilities and equity		1,026,471,857	1,026,165,966

The notes on pages 1 to 46 are integral part of these consolidated financial statements.

Keppel Philippines Holdings, Inc. and Subsidiaries

Consolidated Statement of Income
For the year ended December 31, 2016
(With comparative figures for the years ended December 31, 2015 and 2014)
(All amounts in Philippine Peso)

	Notes	2016	2015	2014
Revenue and Income				
Rental income	7, 10	20,451,326	19,420,102	19,270,326
Interest income	2, 10	10,628,678	9,593,162	4,675,608
Equity in net earnings of associates	6	10,314,776	14,788,202	19,964,035
Dividend income	6, 10	1,622,168	-	-
Management fees	10	1,394,400	1,200,000	1,200,000
		44,411,348	45,001,466	45,109,969
Operating expenses	13	(16,726,590)	(14,719,785)	(17,451,746)
Other income				
Director's fees	10	200,000	246,000	212,000
Others		57,219	1,041,567	900,513
		257,219	1,287,567	1,112,513
Income before income tax		27,941,977	31,569,248	28,770,736
Income tax expense	14	(4,182,377)	(4,647,201)	(2,562,944)
Net income for the year		23,759,600	26,922,047	26,207,792
Attributable to:				
Equity holders of the parent	15	13,568,566	13,170,428	12,290,614
Non-controlling interests		10,191,034	13,751,619	13,917,178
		23,759,600	26,922,047	26,207,792
Earnings per share attributable to equity holders of the parent				
	15	0.235	0.218	0.204

The notes on pages 1 to 46 are integral part of these consolidated financial statements.

Keppel Philippines Holdings, Inc. and Subsidiaries

Consolidated Statement of Total Comprehensive Income
For the year ended December 31, 2016
(With comparative figures for the years ended December 31, 2015 and 2014)
(All amounts in Philippine Peso)

	Note	2016	2015	2014
Net income for the year		23,759,600	26,922,047	26,207,792
Other comprehensive income				
Item that may be subsequently reclassified to profit or loss				
Unrealized fair value gain on available-for-sale financial assets	5	3,700,000	800,000	-
Total comprehensive income for the year		27,459,600	27,722,047	26,207,792
Attributable to:				
Equity holders of the parent		17,268,566	13,970,428	12,290,614
Non-controlling interest		10,191,034	13,751,619	13,917,178
		27,459,600	27,722,047	26,207,792

The notes on pages 1 to 46 are integral part of these consolidated financial statements.

Keppel Philippines Holdings, Inc. and Subsidiaries

Consolidated Statement of Changes in Equity
For the year ended December 31, 2016
(With comparative figures for the years ended December 31, 2015 and 2014)
(All amounts in Philippine Peso)

	Attributable to equity holders of the parent								
	Notes	Share capital (Note 11)	Share premium	Retained earnings (Note 12)	Investment revaluation reserve (Note 5)	Treasury shares (Note 12)	Total	Non-controlling interests	Total equity
Balances at January 1, 2014		73,173,500	73,203,734	417,284,390	14,422,058	(9,898,178)	568,185,504	419,385,147	987,570,651
Comprehensive income									
Net income for the year		-	-	12,290,614	-	-	12,290,614	13,917,178	26,207,792
Other comprehensive income		-	-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	12,290,614	-	-	12,290,614	13,917,178	26,207,792
Transaction with owners									
Cash dividends declared	12	-	-	(6,036,742)	-	-	(6,036,742)	(2,413,500)	(8,450,242)
Balances at December 31, 2014		73,173,500	73,203,734	423,538,262	14,422,058	(9,898,178)	574,439,376	430,888,825	1,005,328,201
Comprehensive income									
Net income for the year		-	-	13,170,428	-	-	13,170,428	13,751,619	26,922,047
Unrealized fair value gain on available-for-sale financial assets	9	-	-	-	800,000	-	800,000	-	800,000
Total comprehensive income for the year		-	-	13,170,428	800,000	-	13,970,428	13,751,619	27,722,047
Transaction with owners									
Cash dividends declared	12	-	-	(6,036,742)	-	-	(6,036,742)	(8,205,900)	(14,242,642)
Balances at December 31, 2015		73,173,500	73,203,734	430,671,948	15,222,058	(9,898,178)	582,373,062	436,434,544	1,018,807,606

The notes on pages 1 to 46 are integral part of these consolidated financial statements.

Keppel Philippines Holdings, Inc. and Subsidiaries

Consolidated Statement of Changes in Equity
For the year ended December 31, 2016
(With comparative figures for the years ended December 31, 2015 and 2014)
(All amounts in Philippine Peso)

	Attributable to equity holders of the parent							Total equity	
	Notes	Share capital (Note 11)	Share premium	Retained earnings (Note 12)	Investment revaluation reserve (Note 5)	Treasury shares (Note 12)	Total		Non-controlling interests
Balances at December 31, 2015		73,173,500	73,203,734	430,671,948	15,222,058	(9,898,178)	582,373,062	436,434,544	1,018,807,606
Comprehensive income									
Net income for the year		-	-	13,568,566	-	-	13,568,566	10,191,034	23,759,600
Unrealized fair value gain on available-for-sale financial assets		-	-	-	3,700,000	-	3,700,000	-	3,700,000
Total comprehensive income for the year		-	-	13,568,566	3,700,000	-	17,268,566	10,191,034	27,459,600
Transactions with owners									
Cash dividends declared	12	-	-	(6,036,742)	-	-	(6,036,742)	(9,654,000)	(15,690,742)
Repurchase of shares		-	-	-	-	(12,724,798)	(12,724,798)	-	(12,724,798)
Total transactions with owners		-	-	(6,036,742)	-	(12,724,798)	(18,761,540)	(9,654,000)	(28,415,540)
Balances at December 31, 2016		73,173,500	73,203,734	438,203,772	18,922,058	(22,622,976)	580,880,088	436,971,578	1,017,851,666

The notes on pages 1 to 46 are integral part of these consolidated financial statements.

Keppel Philippines Holdings, Inc. and Subsidiaries

Consolidated Statement of Cash Flows
For the year ended December 31, 2016
(With comparative figures for the years ended December 31, 2015 and 2014)
(All amounts in Philippine Peso)

	Notes	2016	2015	2014
Cash flows from operating activities				
Income before income tax		27,941,977	31,569,248	28,770,736
Adjustments for:				
Depreciation and amortization	7, 8, 13	412,651	443,991	1,751,481
Provision for (recovery of) impairment losses	4, 6, 13	135,663	(1,485,355)	(251,138)
Dividend income	6, 10	(1,622,188)	-	-
Equity in net earnings of associates	6, 10	(10,314,776)	(14,788,202)	(19,964,035)
Interest income	2, 3, 10	(10,628,678)	(9,593,162)	(4,675,608)
Operating income before working capital changes		5,924,689	6,146,520	5,631,436
Changes in working capital:				
Receivables		390,422	(284,280)	2,287,171
Other current assets		(2,021,650)	(2,245,905)	(1,010,209)
Accounts payable and other current liabilities		1,013,580	(699,078)	(315,290)
Refundable deposits		61,082	91,289	(77,187)
Net cash generated from operations		5,368,103	3,008,546	6,515,921
Income tax paid		(1,206,981)	(1,496,671)	(846,867)
Net cash provided by operating activities		4,161,122	1,511,875	5,669,054
Cash flows from investing activities				
Cash dividends received	6, 10	12,725,680	18,161,907	13,972,987
Collection of loan receivable from a related party	3	147,346,000	43,500,000	-
Interest received		10,246,346	9,317,600	4,394,032
Loans granted to a related party	3, 10	(176,846,000)	(131,000,000)	(200,000,000)
Acquisition of property and equipment	8	(34,821)	-	(11,429)
Net cash used in investing activities		(6,562,795)	(60,020,493)	(181,644,410)
Cash flows from financing activities				
Repurchase of shares	12	(12,724,798)	-	-
Cash dividends paid	12	(15,690,742)	(14,242,642)	(8,450,242)
Net cash used in financing activities		(28,415,540)	(14,242,642)	(8,450,242)
Not decrease in cash and cash equivalents		(30,817,213)	(72,751,260)	(184,425,598)
Cash and cash equivalents at January 1		55,133,375	127,884,635	312,310,233
Cash and cash equivalents at December 31		24,316,162	55,133,375	127,884,635

The notes on pages 1 to 46 are integral part of these consolidated financial statements.

Keppel Philippines Holdings, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

As at and for the year ended December 31, 2016

(With comparative figures as at December 31, 2015 and for the years ended
December 31, 2015 and 2014)

(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

Note 1 - General information

Keppel Philippines Holdings, Inc. (KPHI or the Parent Company) and its subsidiaries, KPSI Property, Inc. (KPSI), and Goodwealth Realty and Development Corporation (GRDC), including GRDC's subsidiary, Goodsoil Marine Realty Inc. (GMRI), collectively referred to as "the Group", were incorporated in the Philippines. The Parent Company was registered with the Philippine Securities and Exchange Commission (SEC) on July 24, 1975 with registered office address at Unit 3-B, Country Space 1 Building, 133 Sen. Gil Puyat Avenue, Salcedo Village, Barangay Bel-Air, Makati City. The Parent Company is involved in investment holding while the subsidiaries are in the real estate industry.

KPHI's shares are publicly traded in the Philippine Stock Exchange (PSE). As at December 31, the top four shareholders are the following:

	Percentage of ownership	
	2016	2015
Keppel, Inc.	52.8%	44.4%
Keppel Corporation Limited (KCL)	29.2%	28.0%
Public	18.0%	17.0%
The Insular Life Assurance Company, Ltd.	-	10.6%

The following are the Parent Company's subsidiaries which all belong to the real estate industry:

	Percentage of ownership	
	2016	2015
KPSI	100%	100%
GRDC	51%	51%
GMRI	51%	51%

GRDC is 44% owned by Keppel Philippines Marine, Inc. Retirement Plan (KPMI Retirement Plan) and 5% by Keppel Philippines Marine, Inc. (KPMI) in 2016 and 2015. GRDC owns 100% of GMRI, thus, KPHI has 51% effective ownership on GMRI.

Information relating to the Group's associates follows:

	Percentage of direct ownership		Percentage of indirect ownership	
	2016	2015	2016	2015
KP Capital, Inc. (KPCI)	-	40%	-	-
Goodwealth Ventures, Inc. (GVI)	-	40%	-	-
Consort Land, Inc. (CLI)	-	-	13%	13%

KPCI and GVI were dissolved on July 25, 2016 and November 3, 2015, respectively.

GMRI has 25% direct ownership in CLI, providing KPHI a 13% indirect ownership in CLI.

All of the Group's associates were incorporated in the Philippines. The ultimate parent company of the Group is Keppel Corporation Limited (KCL), a company incorporated in Singapore. KCL is listed in the Singapore Exchange (SGX).

The Parent Company has 5 regular employees as at December 31, 2016 and 2015. The administrative functions of the subsidiaries are handled by the Parent Company's management.

As at December 31, 2016, the Parent Company has 247 shareholders (2015 - 248 shareholders) each owning at least 100 shares.

The accompanying consolidated financial statements have been approved and authorized for issuance by the Board of Directors (BOD) on January 25, 2017.

Note 2 - Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2016	2015
Cash equivalents	20,759,983	52,727,238
Cash in banks	3,551,179	2,401,137
Cash on hand	5,000	5,000
	24,316,162	55,133,375

Cash in banks earn interests at the prevailing bank deposit rates. Cash equivalents are short-term investments which are placed in financial institutions for varying periods of up to three months, depending on the immediate cash requirements of the Group, and earned interest at annual rates that ranged from 1.4% to 1.6% in 2016 (2015 - 1.0% to 1.5%).

Interest income on cash and cash equivalents amounted to P0.6 million in 2016 (2015 - P1.6 million; 2014 - P2.6 million). Accrued interest receivable from cash and cash equivalents amounted to P0.02 million as at December 31, 2016 (2015 - P0.03 million) (Note 3).

Note 3 - Receivables, net

Receivables, net as at December 31 consist of:

	Note	2016	2015
Loan receivables from a related party	10	317,000,000	287,500,000
Lease receivables:			
Related parties	10	34,991,086	35,805,064
Others		408,355	8,802
		352,399,441	323,313,866
Non-trade		2,152,580	2,152,580
Interest receivable	2, 10	1,205,133	822,801
Due from related parties	10	58,059	34,056
		355,815,213	326,323,303
Less non-current portion:			
Loans receivable	10	87,500,000	137,500,000
Lease receivables		33,855,989	34,624,961
		121,355,989	172,124,961
		234,459,224	154,198,342
Less provision for doubtful accounts		2,152,580	2,152,580
		232,306,644	152,045,762

The loan receivables from a related party pertain to unsecured, short-term and long-term interest bearing loans obtained by Keppel Philippines Marine, Inc. (KPMI), an entity under common control, from the Parent Company, GMRI and KPSI. Refer to Note 10 for the details of the loan receivables.

Current portion of the lease receivables and due from related parties are non-interest bearing and are generally with terms of 30-60 days. The non-current portion of the lease receivables pertains to the difference in the calculation of rent income using straight-line method. These amounts are expected to reverse more than one year from the financial reporting date.

Non-trade receivable represents the Group's claim against a seller of a parcel of land, the title of which has not been transferred to the Group. The non-trade receivable has been outstanding for more than two years and has been fully provided for.

Interest receivable represents the Group's accrued interest earned from cash and cash equivalents and loan receivables.

Due from related parties representing receivables relating to reimbursement of expenses, is non-interest bearing and is due and demandable.

Note 4 - Other current assets, net

Other current assets, net as at December 31 consist of:

	2016	2015
Creditable withholding tax (CWT)	2,032,442	2,109,378
Input value-added tax (VAT)	1,268,275	1,840,054
Deposits	60,645	60,645
Prepaid expenses	-	27,768
Others	7,180	97,274
	3,368,542	4,135,119
Less provision for impairment losses	3,257,517	3,121,854
	111,025	1,013,265

Movements in the provision for impairment related to input VAT and CWT for the years ended December 31 follows:

	Note	2016			2015		
		Input VAT	CWT	Total	Input VAT	CWT	Total
January 1		1,840,054	1,281,800	3,121,854	1,816,531	3,014,048	4,830,579
Provision		140,053	885,037	1,025,090	167,523	272,273	439,796
Recovery of provision		(755,032)	(134,395)	(889,427)	(144,000)	(2,004,521)	(2,148,521)
Net provision (recovery)	13	(614,979)	750,642	135,663	23,523	(1,732,248)	(1,708,725)
December 31		1,225,075	2,032,442	3,257,517	1,840,054	1,281,800	3,121,854

In 2016, the Group recovered input VAT and CWT amounting to P0.8 million and P0.1 million, respectively (2015 - P0.1 million and P2.0 million, respectively) and such were applied against output VAT and income tax due, respectively, during the year.

Note 5 - Available-for-sale financial assets, net

Available-for-sale financial assets, net as at December 31 consist of:

	2016	2015
Quoted share, at fair value		
Golf club share (with cost of P316,004)	19,500,001	15,800,001
Unquoted share, at cost		
Golf club share	880,000	880,000
	20,380,001	16,680,001
Less allowance for impairment loss	880,000	880,000
	19,500,001	15,800,001

The above investments represent proprietary club shares that provide the Group with opportunities for return through dividend income and trading gains. These do not have fixed maturity or coupon rate and the movement is based on closing market prices obtained in an active market.

The movement in the available-for-sale financial assets for the years ended December 31 is summarized as follows:

	2016	2015
January 1	15,800,001	15,000,001
Fair value gain	3,700,000	800,000
December 31	19,500,001	15,800,001

The movement of investment in fair value reserve for the years ended December 31 is shown below:

	2016	2015
January 1	15,222,058	14,422,058
Fair value gain	3,700,000	800,000
December 31	18,922,058	15,222,058

There is no fair value gain (loss) recognized in 2014.

Note 6 - Investment in associates, at equity

Investment in associates as at December 31 consist of:

	Note	2016	2015
Investment in associates		842,948,496	842,948,496
Investment write-off		(505,351,696)	-
		337,596,800	842,948,496
Accumulated share in net losses			
Balance at January 1		(426,973,437)	(423,376,362)
Equity in net earnings of associates		10,314,776	14,788,202
Cash dividend received		(11,103,512)	(18,161,907)
Impairment	13	-	(223,370)
Write-off		505,351,696	-
		77,589,523	(426,973,437)
		415,186,323	415,975,059

Details of the investment in associates accounted for under the equity method as at December 31 are shown below:

	KPCI		GVI		CLI		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Investments	273,518,182	273,518,182	231,833,514	231,833,514	337,598,800	337,598,800	842,948,408	842,948,408
Investment write-off	(273,518,182)	-	(231,833,514)	-	-	-	(505,351,898)	-
	-	273,518,182	-	231,833,514	337,598,800	337,598,800	337,598,800	842,948,408
Accumulated share in net earnings (losses)								
Balance at January 1	(273,518,182)	(273,518,182)	(231,833,514)	(230,848,428)	78,378,250	80,990,248	(428,973,437)	(423,378,302)
Equity in net earnings (losses) of associates	-	-	-	(86,036)	10,314,776	14,654,238	10,314,776	14,788,202
Cash dividend received	-	-	-	(895,680)	(11,103,512)	(17,488,227)	(11,103,512)	(18,181,907)
Impairment of investment in associate	-	-	-	(223,370)	-	-	-	(223,370)
Write-off	273,518,182	-	231,833,514	-	-	-	505,351,898	-
	-	(273,518,182)	-	(231,833,514)	77,589,523	78,378,259	77,589,523	(428,973,437)
	-	-	-	-	415,180,323	415,975,059	415,180,323	415,975,059

During the year, the Group has written-off its investments in KPCI and GVI amounting to P505.4 million. The write-off did not impact the net asset, results of operations, and cash flows as these investments are fully provided for in 2015.

6.1 Associates

(a) CLI

CLI is involved in property leasing and power sales with the same principal place of business as KPHL.

GMRI received cash dividend from CLI in 2016 amounting to P11.1 million (2015 - P17.5 million; 2014 - P14.0 million).

(b) GVI

GVI, an entity involved in investment holding with the same principal place of business as KPHL, incurred continued losses. On June 19, 2013, GVI's BOD approved the dissolution and the amendment of the Articles of Incorporation to shorten GVI's corporate existence. GVI filed notices to the SEC and BIR on July 22, 2013 and July 31, 2013, respectively. The BIR issued tax clearance on May 27, 2015 and the SEC approved the shortening of corporate term on November 3, 2015. In 2015, the Group recognized provision for impairment on its investment in GVI amounting to P0.2 million since the management believes that the balance in the investment will not be recovered.

On August 12, 2015, GVI declared dividends amounting to P0.8 million based on its retained earnings as at July 31, 2015 to its shareholders per record as at August 31, 2015. The Group received P0.7 million in September 2015. On December 5, 2016, in the joint meeting of GVI's shareholders and the BOD, the distribution of GVI's remaining investment in Keppel IVI Capital Inc. (KICI) and cash of P2.0 million were approved. The Group received P1.6 million from GVI as liquidating dividend.

(c) *KPCI*

KPCI, an entity involved in investment holding with the same principal place of business as KPHI, incurred continued losses and was in a liquidating position since 2005.

On June 22, 2011, KPCI's BOD approved the dissolution and the amendment of the Articles of Incorporation to shorten KPCI's corporate existence. KPCI filed notices to the SEC and Bureau of Internal Revenue (BIR) on July 25, 2011 and September 14, 2011, respectively. On March 8, 2016, KPCI obtained tax clearance from the BIR and on July 25, 2016, the SEC approved the amendment of the Articles of Incorporation to shorten KPCI's corporate existence and correspondingly issued a certificate of dissolution.

6.2 Financial information of associates

The financial information of the associates as at and for the years ended December 31 are as follows:

	CLI	GVI
2016		
Current assets	50,887,520	-
Non-current assets	259,100,163	-
Total assets	309,987,683	-
Current liabilities	23,252,178	-
Non-current liabilities	-	-
Total liabilities	23,252,178	-
Net assets	286,735,505	-
Revenue	148,209,191	-
Income before income tax	44,416,372	-
Other comprehensive income	-	-
Total comprehensive income	41,259,105	-
2015		
Current assets	55,975,176	2,307,098
Non-current assets	260,731,210	-
Total assets	316,706,386	2,307,098
Current liabilities	26,729,986	66,035
Non-current liabilities	-	-
Total liabilities	26,729,986	66,035
Net assets	289,976,400	2,241,063
Revenue	200,629,473	41,312
Income before income tax	63,271,598	(165,089)
Other comprehensive income	-	-
Total comprehensive income (loss)	59,416,950	(165,089)

KPCI has no assets, liabilities, and equity as at and for the years ended December 31, 2016 and 2015 following its dissolution.

In 2016, the Group has 13% or P37,275,616 effective ownership of CLI (2015 - 13 % or P37,696,932). The difference between the effective ownership interest and carrying amount of the investment amounting to P415,186,323 pertains to fair value adjustments on non-depreciable non-current assets of CLI (2015 - carrying amount of P415,975,059).

There are no significant restrictions on the ability of the associates to transfer funds to the Group in the form of cash dividends or to repay loans or advances made by the Group.

There are no contingent liabilities relating to the Group's investment in associates.

Note 7 - Investment properties, net

The details and movement of investment properties as at and for the years ended December 31 are as follows:

	Note	Land	Building and improvements	Condominium units	Total
2016					
Cost					
January 1 and December 31		205,901,939	2,609,001	25,342,689	233,853,629
Accumulated depreciation and amortization					
January 1		-	2,025,491	21,913,448	23,938,939
Depreciation and amortization	13	-	110,033	283,169	393,202
December 31		-	2,135,524	22,196,617	24,332,141
Net book values		205,901,939	473,477	3,146,072	209,521,488
2015					
Cost					
January 1 and December 31		205,901,939	2,809,001	25,342,689	233,853,629
Accumulated depreciation and amortization					
January 1		-	1,915,458	21,604,009	23,519,467
Depreciation and amortization	13	-	110,033	309,439	419,472
December 31		-	2,025,491	21,913,448	23,938,939
Net book values		205,901,939	583,510	3,429,241	209,914,690

Land, building and improvements in Batangas are leased out to related parties (Note 10), while condominium units are leased out to third parties.

The investment properties have an aggregate fair value of P919.6 million based on an appraisal made by an accredited independent appraiser in November 2016. The sales comparison approach was used in determining the fair value which considers the sales of similar or substitute properties and related market data, and establishes a value estimate by processes involving comparison.

Rent income attributable to the investment properties amounted to P20.5 million (2015 - P19.4 million; 2014 - P19.3 million). The operating expenses directly attributable to the investment properties pertaining to depreciation and amortization and real estate taxes amounted to P4.7 million in 2016 (2015 - P4.7 million; 2014 - P5.7 million).

Note 8 - Property and equipment, net

The details and movement of property and equipment as at and for the years ended December 31 are as follows:

	Note	Condominium units	Office machine, furniture and fixtures	Transportation equipment	Total
2016					
Cost					
January 1		5,397,020	333,634	776,186	6,506,840
Acquisition		-	34,821	-	34,821
December 31		5,397,020	368,455	776,186	6,541,661
Accumulated depreciation					
January 1		5,397,017	330,767	760,913	6,488,697
Depreciation	13	-	7,209	12,240	19,449
December 31		5,397,017	337,976	773,153	6,508,146
Net book values		3	30,479	3,033	33,515
2015					
Cost					
January 1 and December 31		5,397,020	333,634	776,186	6,506,840
Accumulated depreciation					
January 1		5,390,450	325,053	748,675	6,464,178
Depreciation	13	6,567	5,714	12,238	24,519
December 31		5,397,017	330,767	760,913	6,488,697
Net book values		3	2,867	15,273	18,143

Fully depreciated assets amounting P6.3 million are still in use as at December 31, 2016 and 2015.

Note 9 - Accounts payable and other current liabilities

Accounts payable and other current liabilities as at December 31 consist of:

	Note	2016	2015
Accrued expenses		2,195,063	1,280,649
Advance rentals:			
Related parties	10	232,956	231,001
Third parties		494,478	905,857
		727,434	1,136,858
Payable to government agencies		209,757	176,899
Accounts payable		186,004	186,004
Unearned rent		78,768	78,768
Others	10	202,205	108,691
		3,599,231	2,967,869

Accrued expenses pertain to accrued professional fees, audit fee, directors' fees, employee benefits, and others. These are non-interest bearing and generally have terms of 30-60 days.

Advance rentals from related parties and third party customers are applied against the rent due at the end of the lease term.

Payable to government agencies pertains to output VAT, withholding taxes on salaries, and other expenses which are normally settled within one month after the reporting period.

Accounts payable pertain to security deposit related to expired lease contracts. These are non-interest-bearing and are due and demandable.

Other accounts payable pertains to unclaimed monies or dividends by shareholders which are non-interest bearing and due and demandable (Note 10).

Note 10 - Related party transactions

In the normal course of business, the Group transacts with companies which are considered related parties. The significant related party transactions and balances as at and for the years ended December 31 follow:

Related party	Notes	2016		2015		Terms and conditions
		Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	
Entities under common control						
Rental income						
KPMI (a, b, c, d, and e)		13,619,981	34,991,086	12,773,929	35,805,064	The outstanding balance is collectible in cash, with term of 30 to 60 days from date of each transaction. This is non-interest bearing and unsecured.
Keppel Energy and Consultancy, Inc. (KECO) (d)		228,000	-	228,000	-	
Keppel Property Phails, Inc. (Keppel Property) (d)		297,990	-	270,900	-	
Keppel Investment, Inc. (KVI) (d)		300,000	-	300,000	-	
Various expenses and charges	3	14,445,971	34,891,086	13,572,829	35,805,064	
Keppel Subic Shipyard, Inc. (KSSI) (g)		84,205	18,508	44,024	3,888	The outstanding balance is unsecured, non-interest bearing, and payable in cash on demand.
KECI (g)		9,978	-	-	-	
KPMI (g)		66,896	39,551	395,239	10,799	
Keppel Property (g)		7,136	-	42,982	-	
Keppel Philippine Properties, Inc. (KPP) (g)		20,432	-	19,869	19,869	
Loans - KPMI (h, i, and j)	3	176,846,000	53,059	131,000,000	287,500,000	These are interest bearing, and unsecured.
Interest income - KPMI (h, i, and j)	3	10,042,311	1,188,188	7,988,397	795,789	
Advance rentals and deposit - KPMI (a, c, and e)						
Advance rentals	9	3,909	(232,956)	-	(231,001)	
Refundable deposits			(232,956)		(231,000)	
Management fees						
KECI (f)		300,000	-	300,000	-	The outstanding balance is unsecured, non-interest bearing, due within 30 days from date of each transaction and payable in cash
Keppel Property (f)		780,000	-	600,000	-	
Keppel, Inc. (f)		108,000	-	98,000	-	
Keppel, Inc. (f)		28,400	-	24,000	-	
KVI (f)		180,000	-	180,000	-	
Director's fees		1,394,400	-	1,200,000	-	
Keppel Philippine Properties, Inc. (KPMI)		140,000	-	186,000	-	
Other income		60,000	-	50,000	-	
KPMI (f)		200,000	-	246,000	-	
Associates						
Equity in net earnings	6	10,314,776	-	14,788,202	-	
Cash dividends received	6	11,103,512	-	18,161,907	-	
Liquidating dividend	6.1 (b)	1,622,168	-	-	-	
Shareholders						
Unclaimed monies or dividends (k)	9	6,036,742	(202,205)	6,036,742	(108,691)	The outstanding balance is payable in cash on or before the due date as agreed by the BOD.
Key management personnel						
Salaries and other short-term employee benefits	13	7,469,971	(883,660)	6,856,757	(414,702)	The outstanding balance is unsecured, non-interest bearing, and payable in cash on demand.

For the three years ended December 31, 2016, 2015 and 2014, the Group has not made any provision for doubtful accounts relating to amounts owed by related parties. This assessment is undertaken each financial year through examination of the financial position of each related party and the market in which the related party operates.

All of the above related parties are entities under common control of the Parent Company, unless stated otherwise.

Following are the Group's transactions with related parties:

- a. GMRI leases parcels of land to KPML. The agreement covers properties in the site of KPML's shipyard for a period of 50 years beginning 1993. The annual lease rate amounted to P10.4 million and is subject to an escalation clause of 2% after every five (5) years. Rent income, based on the straight-line method, amounted to P9.6 million in 2016, 2015, and 2014. Total outstanding balance of lease receivables presented in the consolidated statement of financial position representing lease differential in the computation of rent income using straight line method amounted to P33.9 million and P34.6 million as at December 31, 2016 and 2015, respectively. Advance rentals and deposits of KPML amounted to P0.1 million as at December 31, 2016 and 2015, respectively, which will be applied against the rent due at the end of the contract.

Future minimum rental receivables from this transaction are as follows:

	2016	2015
Within one year	10,508,295	10,353,000
After one year but not more than five years	42,033,180	52,541,475
More than five years	236,090,217	236,090,217
	288,631,692	298,984,692

- b. GMRI also leases a parcel of land to KPML for one year from January 1, 2015 to December 31, 2015. The lease contract was renewed for another year effective January 1, 2016. Rental income derived from these transactions amounted to P0.4 million in 2016 and 2015. Outstanding receivable relating to this lease contract amounted to P0.9 million as at December 31, 2016 and 2015.
- c. GRDC leased its properties to KPML, for a period of one (1) year commencing on January 1, 2015 and ended on December 31, 2015. The contract is subject to yearly renewal under such terms and conditions as may be mutually agreed upon by both parties. The lease contracts were renewed for another year effective January 1, 2016. Rental income derived from these transactions amounted to P0.2 million in 2016 and 2015. Future minimum rentals receivable from the renewal of contracts amounted to P0.2 million as at December 31, 2016 and 2015. The outstanding balance of lease receivable amounted to P0.02 million as at December 31, 2016 and 2015. Advance rentals and deposits from KPML amounted to P0.04 million as at December 31, 2016 and 2015, which will be applied against the rent due at the end of the contract.

- d. KPSI leases certain properties to KPMI, KIVI, Kepwealth Property, and KECI for a period of one year, renewable annually. Rental income derived from the lease amounted to P1.3 million in 2016 (2015 - P1.3 million; 2014 - P1.2 million). The lease contracts with KPMI and Kepwealth Property were last renewed on April 11, 2016 and March 31, 2016, respectively for a period of one (1) year. Lease contracts with KIVI and KECI are for two years and subject for renewal on April 1, 2017 and June 1, 2017, respectively. The outstanding balance of lease receivable amounted to P0.04 million and P0.08 million as at December 31, 2016 and 2015, respectively (Note 3).
- c. The Parent Company and KPMI has an existing land lease agreement on a piece of land which is the subject of complaint against the Philippine National Oil Company (PNOC) (Note 20). The monthly rent for the said piece of land is P0.2 million for a period of one year, subject to yearly renewal. In July 2015, the lease agreement was renewed for another year with 5% increase. Rental income derived from the land amounted to P2.1 million in 2016 (2015 - P2.1 million; 2014 - P2.0 million). Future minimum lease rentals receivable from the renewed contract amounted to P1.0 million as at December 31, 2016 and 2015. Outstanding balance of lease receivables amounted to P0.2 million as at December 31, 2016 and 2015 (Note 3). Advance rentals and deposits amounted to P0.4 million as at December 31, 2016 and 2015, which will be applied against the rent due at the end of the contract.
- f. The Parent Company provides accounting services to KECI, an entity under common control, for a monthly management fee of P25 thousand. The agreement is considered renewed every year thereafter, unless one party gives the other a written notice of termination at least three months prior to the anniversary date.

On February 1, 2013, the Parent Company entered into a new management agreement with Kepventure, Inc., Kepwealth Inc., KIVI, and Kepwealth Property for a monthly management fee of P2 thousand, P8 thousand, P15 thousand, and P50 thousand, respectively. The monthly management fees are subject to change depending upon the extent and volume of services provided by the Parent Company. This will cover regular consultancy, handling of financial reporting, personnel and administration services including payroll and other government documentary requirements. The agreement is considered renewed every year thereafter, unless one party gives the other a written notice of termination at least three months prior to the expiration date. In January 2016, Kepventure, Inc., Kepwealth Inc., and Kepwealth Property increased its management fee to P2.2 thousand, P9 thousand, and P65 thousand, respectively.

Management fees earned amounted to P1.4 million in 2016 (2015 and 2014 - P1.2 million). As at December 31, 2016, there was no intention from any of the parties to terminate the management services.

- g. Amounts due from KPMI, KSSI, KPPI, Kepwealth Property, and KECI pertain to reimbursement of various expenses such as legal, communication and business development expenses paid by the Parent Company amounting to P0.2 million and P0.01 million as at December 31, 2016 and 2015, respectively.

- h. In September 2014, GMRI granted a long-term, interest-bearing loan to KPMI amounting to P200.0 million. The loan has five-year term, 15-month grace period on principal payment, and payable in equal quarterly instalment. The loan is subject to interest repricing on semi-annual basis. The loan has an option for prepayment. The interest rate applied ranged from 3.5% to 3.8% in 2016 (2015 - 3.5% to 4.0%; 2014 - 3.4%). KPMI made partial payment of the loan amounting to P50.0 million and P12.5 million in 2016 and 2015, respectively. Outstanding loan receivable from KPMI amounted to P137.5 million as at December 31, 2016 (2015 - P187.5 million). Interest income recognized amounted to P5.7 million in 2016 (2015 - P7.4 million; 2014 - P2.0 million). Accrued interest receivable amounted to P0.4 million and P0.5 million as at December 31, 2016 and 2015, respectively (Note 3).

In December 2015, GMRI started to grant short-term loan amounting to P15.0 million to KPMI for 45-day interest of 2.9%. In 2016, KPMI obtained additional short-term loan of P82.8 million for 45-90 days at interest rates ranging from 2.6% to 3.2%. Outstanding short-term loan of KPMI as at December 31, 2016 amounted to P87.5 million (2015 - P15.0 million). Interest earned from short-term loan receivable amounted to P1.5 million in 2016 (2015 - P0.03 million). Accrued interest receivable as at December 31, 2016 and 2015, amounted to P0.3 million and P0.03 million, respectively (Note 3).

- i. In June 2015, the Parent Company started to grant short-term loan to KPMI. Total loan granted in 2015 amounted to P116.0 million with term of 45-90 days with interest ranging from 2.9% to 3.4%. As at December 31, 2015, the loan balance was at P85.0 million of which P57.0 million was paid in 2016. In 2016, P64.0 million was granted with term of 90 days and interest ranging from 2.8% to 3.2%. As at December 31, 2016, outstanding loan balance is P77.0 million. Interest income recognized by the Parent Company from these loans amounted to P2.5 million in 2016 (2015 - P0.5 million). Accrued interest receivable amounted to P0.4 million and P0.3 million as at December 31, 2016 and 2015, respectively (Note 3).
- j. KPSI started to grant short-term loan to KPMI in February 23, 2016 amounting to P15.0 million with 90-day term and interest of 3.15%. Upon maturity, interest was paid and the principal loan was extended for another 90 days with interest of 2.9% until August 21, 2016 where the principal loan and interest were fully paid. On October 17, 2016, KPSI granted short-term loan of P15.0 million with 90-day term and interest of 3.15%. Interest income recognized earned by KPSI amounted to P0.3 million and accrued interest receivable of P0.1 million as at December 31, 2016 (Note 3).
- k. Other accounts payable amounting to P0.2 million as at December 31, 2016 (2015 - P0.1 million) pertain to unclaimed monies or dividends by shareholders which are non-interest bearing and due and demandable (Note 9).
- l. In 2014, the Parent Company entered into a Memorandum of Undertaking (MOU) with KPMI to assist the latter in providing the relevant documents required to qualify to bid for projects for a 1% share in revenue. The Parent Company received P0.3 million in July 2015 which was recognized under "Other income" in the consolidated statement of income (2016 - nil).

Note 11 - Share capital and share premium

The Class "A" and Class "B" shares of stock are identical in all respects and have P1 par value per share, except that Class "A" shares are restricted to ownership of Philippine nationals. Class "B" shares are 18% and 82% owned by Philippine nationals and foreign nationals, respectively, as at December 31, 2016 and 2015. Each share has a right to one vote.

Details of share capital and share premium as at December 31, 2016 and 2015 are as follows:

Authorized - P1 par value	
Class A	90,000,000
Class B	200,000,000
	290,000,000
Issued	
Class A	39,840,970
Class B	33,332,530
Share capital	73,173,500
Share premium	73,203,734

Details of the Parent Company's shares as at December 31 are as follows:

	Note	2016	2015
Treasury shares			
Class A		3,674,000	1,110,000
Class B		11,698,081	11,698,081
	12	15,370,081	12,806,081
Weighted average number of shares			
Class A		38,730,970	38,730,970
Class B		21,636,449	21,636,449
		57,803,419	60,367,419

In accordance with SRC Rule 68, as Amended (2011), Annex 68-D, below is a summary of the Parent Company's track record of registration of securities as at December 31:

Common shares	Number of shares registered	Issue/offer price	Date of approval	Number of holders of securities
2016				
Class "A"	38,730,970	1.00	June 30, 2000	386
Class "B"	21,636,449	1.00	June 30, 2000	58
	57,803,419			
2015				
Class "A"	38,730,970	1.00	June 30, 2000	387
Class "B"	21,636,449	1.00	June 30, 2000	61
	60,367,419			

There are 430 and 433 total shareholders per record holding both Class A and B shares as at December 31, 2016 and 2015, respectively.

Note 12 - Retained earnings; treasury shares

The portion of retained earnings corresponding to the undistributed equity in net earnings of the associates is not available for distribution as dividends until declared by the associates.

Retained earnings are further restricted to the extent of treasury shares with the following details as at December 31:

	Shares		Cost	
	2016	2015	2016	2015
Class "A"	3,674,000	1,110,000	13,408,963	684,165
Class "B"	11,696,081	11,696,081	9,214,013	9,214,013
	15,370,081	12,806,081	22,622,976	9,898,178

The Parent Company's BOD declared cash dividends of P0.10 per share or P6.0 million in 2016, 2015 and 2014 as follows:

	2016	2015	2014
Date of declaration and approval	June 17	June 19	May 28
Date of shareholders' record	July 1	July 6	June 13
Date paid	July 27	July 30	July 9

In January 2016, March 2015 and September 2014, GMRI declared cash dividend amounting to P20.0 million, P17.0 million and P5.0 million, respectively. Out of this amount, the Parent Company received P10.0 million, P8.5 million and P2.5 million in February 2016, March 2015 and September 2014, respectively. Dividend declared and paid attributable to NCI amounted to P9.7 million, P8.2 million, P2.4 million in 2016, 2015 and 2014, respectively.

Total cash dividend paid by the Group amounted to P15.7 million, P14.2 million and P8.5 million in 2016, 2015 and 2014, respectively.

As at December 31, 2016, total unrestricted retained earnings amounted to P438.2 million (2015 - P430.7 million). The amount of unrestricted retained earnings is in excess of 100% of its paid-up capital as at December 31, 2016 and 2015. The Group declared and paid cash dividends on a regular basis to comply with Section 43, Power to declare dividends, of the Corporation Code of the Philippines. The Group will declare dividend based upon the favorable result of operations and the availability of unappropriated retained earnings.

Note 13 - Operating expenses

Operating expenses for the years ended December 31 consist of:

	Notes	2016	2015	2014
Salaries, wages, and employee benefits	10	7,469,971	6,956,757	6,601,890
Taxes and licenses		5,941,319	4,730,173	5,072,141
Transportation and travel		607,792	499,017	814,447
Utilities		545,499	506,410	598,559
Depreciation and amortization	7, 8	412,651	443,991	1,751,481
Membership dues		410,184	449,608	425,133
Professional fees		342,891	1,282,979	1,299,821
Office supplies		153,746	124,688	144,977
Provision for (Recovery of) impairment losses	4, 6	135,663	(1,485,355)	(251,138)
Postage		61,804	63,186	40,065
Insurance		52,480	60,993	70,567
Repairs and maintenance		44,201	45,391	104,848
Advertising		7,350	7,350	7,350
Commission		-	92,821	21,621
Others		541,039	941,776	749,984
		16,726,590	14,719,785	17,451,746

Other expenses consist of bank charges, business development expenses, and various items that are individually immaterial.

Note 14 - Income taxes

The components of the income tax expense for the years ended December 31 are as follows:

	2016	2015	2014
Current	4,059,757	4,368,083	2,087,630
Final tax on interest income	117,274	320,953	526,721
Deferred	5,346	(41,835)	(51,407)
	4,182,377	4,647,201	2,562,944

Deferred income tax assets were not recognized because management believes that future taxable profit will not be available against which the deductible temporary difference and carry-forward benefits of net operating loss carry-over (NOLCO) and excess minimum corporate income tax (MCIT) can be applied. Unrecognized deferred income tax assets and MCIT as at December 31 are follows:

	2016	2015
Accrued expenses	863,977	580,262
Allowance for doubtful accounts	565,147	645,774
Advance rentals	424,265	466,564
Unearned rentals	23,631	-
NOLCO	3,546,096	3,980,755
	5,423,116	5,673,355
MCIT	322,307	281,984
	5,745,423	5,955,339

The deferred income tax liability of P1.7 million as at December 31, 2016 and 2015, pertains to the income tax effect of lease receivables accrued using the straight-line method.

Details of NOLCO and MCIT as at December 31 which can be applied as deduction from taxable income over the next three (3) years immediately following the year of such loss, are as follows:

Year incurred	Expiry year	2016		2015	
		NOLCO	MCIT	NOLCO	MCIT
2016	2019	2,395,966	134,395	-	-
2015	2018	4,694,424	95,596	4,694,424	95,596
2014	2017	4,729,930	92,316	4,729,930	92,316
2013	2016	-	-	3,844,830	94,072
		11,820,320	322,307	13,269,184	281,984

The movements in NOLCO for the years ended December 31 are as follows:

	2016	2015
January 1	13,269,184	13,743,243
Addition	2,395,966	4,694,424
Expired	(3,844,830)	(5,168,483)
December 31	11,820,320	13,269,184

The movements in MCIT for the years ended December 31 are as follows:

	2016	2015
January 1	281,984	264,088
Addition	134,395	95,596
Expired	(94,072)	(77,700)
December 31	322,307	281,984

In August 2007, GMRI was registered as a developer/operator of Keppel Philippines Marine Special Economic Zone with the Philippine Economic Zone Authority (PEZA) pursuant to Presidential Proclamation No. 1329 dated July 16, 2007 and the provisions of Republic Act No. 7916, otherwise known as the amended "Special Economic Zone Act of 1995". With this registration, GMRI is entitled to the special tax rate of 5% on gross income, in lieu of all national and local taxes, except real property taxes on land owned by GMRI.

A reconciliation of the income tax at statutory income tax rate to income tax expense as shown in the consolidated statement of income follows:

	2016	2015	2014
Income tax computed at statutory income tax rate of 30%	8,382,593	9,470,774	8,631,221
Additions (reductions) to income taxes resulting from:			
Income subjected to lower tax rate	372,289	(5,451,863)	(1,254,408)
Non-deductible expense	104,173	107,599	70,462
Interest income subjected to final tax	(26,880)	(82,738)	165,809
Difference between OSD and itemized deductions	(468,390)	-	-
Non-taxable income	(5,345,606)	(973,537)	(6,768,489)
Change in unrecognized deferred income tax assets	1,164,198	1,576,966	1,718,349
Income tax expense	4,182,377	4,647,201	2,562,944

Income tax payable as at December 31, 2016 and 2015 amounted to P0.5 million and P0.3 million, respectively.

Note 15 - Earnings per share

Basic earnings per share is calculated by dividing the net income attributable to shareholders of the Group by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Group and held as treasury shares, if any.

Earnings per share for the years ended December 31 is calculated as follows:

	Note	2016	2015	2014
Net income attributable to equity holders of the parent (a)		13,568,566	13,170,428	12,290,614
Weighted average number of shares outstanding (b)	11	57,803,419	60,367,419	60,367,419
Basic earnings per share (a, b)		0.235	0.218	0.204

The Group has no potential shares that will have a dilutive effect on earnings per share.

Note 16 - Operating segments

For management reporting purposes, the Group's businesses are classified into the following business segments: (1) investment holding and (2) real estate. The Group's BOD reviews the performance of these reportable segments. Details of the Group's business segments are as follows:

	Investment Holding	Real estate	Combined	Eliminations	Consolidated
2016					
Revenue					
Third party	6,203,664	26,270,740	32,474,404	-	32,474,404
Inter-segment, including interest income	16,032,168	-	16,032,168	(14,410,000)	1,622,168
Equity in net earnings of an associate	-	10,314,776	10,314,776	-	10,314,776
Total revenue	22,235,832	36,585,516	58,821,348	(14,410,000)	44,411,348
Income before income tax	12,483,714	29,508,263	41,991,977	(14,050,000)	27,941,977
Income tax expense	(168,471)	(4,013,906)	(4,182,377)	-	(4,182,377)
Net income	12,315,243	25,494,357	37,809,600	(14,050,000)	23,759,600
Other Information					
Segment assets	225,257,892	915,305,757	1,140,563,649	(114,019,792)	1,026,471,857
Segment liabilities	3,494,337	9,948,917	13,443,254	(4,823,062)	8,620,191
Depreciation and amortization	4,350	408,301	412,651	-	412,651
2015					
Revenue					
Third party	4,848,810	25,364,454	30,213,264	-	30,213,264
Inter-segment, including interest income	13,038,180	-	13,038,180	(13,038,180)	-
Equity in net earnings of an associate	(66,036)	14,854,238	14,788,202	-	14,788,202
Total revenue	17,820,954	40,218,692	58,039,646	(13,038,180)	45,001,466
Income before income tax	8,774,572	35,822,262	44,596,834	(13,027,586)	31,569,248
Income tax expense	(306,004)	(4,341,197)	(4,647,201)	-	(4,647,201)
Net income	8,468,568	31,481,065	39,949,633	(13,027,586)	26,922,047
Other Information					
Segment assets	227,047,928	913,509,829	1,140,557,757	(114,391,791)	1,026,165,966
Segment liabilities	2,538,076	9,943,346	12,481,422	(5,123,062)	7,358,360
Depreciation and amortization	-	443,991	443,991	-	443,991
2014					
Revenue					
Third party	3,974,868	21,171,066	25,145,934	-	25,145,934
Inter-segment, including interest income	6,213,100	-	6,213,100	(6,213,100)	-
Equity in net earnings of an associate	(15,553)	19,979,588	19,964,035	-	19,964,035
Total revenue	10,172,415	41,150,654	51,323,069	(6,213,100)	45,109,969
Income before income tax	557,807	33,340,982	33,898,789	(5,128,053)	28,770,736
Income tax expense	(244,620)	(2,318,324)	(2,562,944)	-	(2,562,944)
Net income	313,187	31,022,658	31,335,845	(5,128,053)	26,207,792
Other Information					
Segment assets	223,860,640	903,277,117	1,127,137,757	(113,866,704)	1,013,271,053
Segment liabilities	2,582,614	10,943,298	13,525,912	(5,583,060)	7,942,852
Depreciation and amortization	83,425	1,668,056	1,751,481	-	1,751,481

Segment assets and segment liabilities are measured in the same way as in the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment.

Segment revenue, segment expenses and segment results include transfers between business segments. Those transfers are eliminated in consolidation.

All of the Group's revenues are derived from operations within the Philippines, hence, the Group did not present geographical information required by PFRS 8, Operating Segments.

Rental income from KPMI amounting to P13.6 million in 2016 comprise more than 31% of the Group's revenue (2015 - P13.6 million and 30%; 2014 - P13.5 million and 30%).

Note 17 - Other matters

In September 2003, the Parent Company filed a complaint against PNOC for specific performance with the Regional Trial Court of Batangas City for the enforcement of the contract relating to the option to purchase a piece of land in Batangas. A judgment was rendered in January 2006 in favor of the Parent Company ordering PNOC to accept the payment of P4.1 million as full and complete payment of the purchase price, and to execute a Deed of Absolute Sale in favor of the Parent Company. PNOC, however, filed an appeal with the Court of Appeals in the same year. The Court of Appeals dismissed the PNOC's appeal in December 2011.

In July 2007, the Parent Company and PNOC signed a compromise agreement wherein both parties agreed to increase the purchase price to P6.1 million. This, however, was never approved by the Office of the Solicitor General. In July 2012, PNOC filed a petition for review on certiorari of the decision of the Court of Appeals. On November 7, 2013, the Parent Company filed a Motion to Resolve with the Supreme Court to ask for an early resolution and issue an order dismissing the Petition. As at January 25, 2017, the case is still pending before the Supreme Court.

The Parent Company's cash deposit of P4.1 million with the Court is presented in the consolidated statement of financial position under "Other noncurrent assets". The said piece of land is the subject of a lease agreement between the Parent Company and KPMI (see Note 10).

Note 18 - Financial risk management and capital management

18.1 Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, interest rate risk, equity price risk, and liquidity risk that could affect its financial position and results of operations. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The BOD reviews and approves the policies for managing each of these risks which are summarized below:

(a) Credit risk

Credit risk pertains to the risk that a party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss.

The Group transacts mostly with related parties, thus, there is no requirement for collateral.

Receivables are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Significant concentration of credit risk in 2016 and 2015 pertains to the loans receivable from a related party amounting to P229.5 million and P287.5 million, respectively, which comprise 64% and 83% of the Group's loans and receivables in 2016 and 2015, respectively.

The table below shows the maximum exposure to credit risk of the financial assets of the Group:

	2016	2015
Loans and receivables:		
Cash and cash equivalents*	24,311,162	55,128,375
Receivables		
Loans receivable from a related party	317,000,000	287,500,000
Current portion of lease receivables**	1,543,451	1,188,905
Interest receivable	1,205,133	822,801
Due from related parties	58,059	34,056
	344,117,805	344,674,137

*Excluding cash on hand

**Non-current portion of lease receivables arises from the straight-line recognition of rental income, hence, excluded

The table below shows the financial effect of collateral or credit enhancement to the Group's financial assets as at December 31, 2016:

	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
2016				
Financial assets:				
Loans and receivables:				
Cash and cash equivalents*	24,311,162	-	24,311,162	-
Receivables	-	-	-	-
Loans receivable from a related party	317,000,000	-	317,000,000	-
Current portion of lease receivables**	1,543,451	1,946,839	1,543,451	1,946,839
Interest receivable	1,205,133	-	1,205,133	-
Due from related parties	58,059	-	58,059	-
	344,117,805	1,946,839	344,117,805	1,946,839
2015				
Financial assets:				
Loans and receivables:				
Cash and cash equivalents*	55,128,375	-	55,128,375	-
Receivables	-	-	-	-
Loans receivable from a related party	287,500,000	-	287,500,000	-
Current portion of lease receivables**	1,188,905	1,885,757	-	1,188,905
Interest receivable	822,801	-	822,801	-
Due from related parties	34,056	-	34,056	-
	344,674,137	1,885,757	343,485,232	1,188,905

*Excluding cash on hand

**Non-current portion of lease receivables arises from the straight-line recognition of rental income, hence, excluded

(i) Credit quality

The table below shows the credit quality of the Group's financial assets as at December 31:

	Neither past due nor impaired (High Grade)	Past due but not impaired	Impaired	Total
2016				
Financial assets:				
Loans and receivables:				
Cash and cash equivalents	24,311,162	-	-	24,311,162
Receivables				
Loans receivable from a related party	317,000,000	-	-	317,000,000
Current portion of lease receivables	1,543,451	-	-	1,543,451
Non-trade	-	-	2,152,580	2,152,580
Interest receivable	1,205,133	-	-	1,205,133
Due from related parties	58,059	-	-	58,059
	344,117,805	-	2,152,580	346,270,385
2015				
Financial assets:				
Loans and receivables:				
Cash and cash equivalents	55,128,375	-	-	55,128,375
Receivables				
Loans receivable from a related party	287,500,000	-	-	287,500,000
Current portion of lease receivables	1,188,905	-	-	1,188,905
Non-trade	-	-	2,152,580	2,152,580
Interest receivable	822,801	-	-	822,801
Due from related parties	34,056	-	-	34,056
	344,674,137	-	2,152,580	346,826,717

The Group expects the current portion of the lease receivables to be realized within three (3) months from the end of the reporting period. The amounts due from related parties are all collectible and of good credit quality.

High grade assets are considered as having very low risk and can easily be converted to cash. These assets are considered for counterparties that possess strong to very strong capacity to meet their obligations.

(ii) Cash in bank

The Group has maintained business relationships with an accredited universal bank that has high credit standing in the financial services industry.

The remaining cash in the consolidated statement of financial position pertains to cash on hand which is not subject to credit risk.

(iii) Receivables

Loan, interest, lease, and other receivables from related parties

Credit exposure of the Group on loan and other receivables from related parties is considered to be low as there is no history of default and known to have strong credit history. Additionally, credit risk is minimized since the related parties are paying on normal credit terms based on contracts.

The maximum credit risk exposure is equal to the carrying amount as at December 31, 2016 and 2015 (Note 3).

Receivables from third parties

The credit quality of receivables that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates.

The Group does not hold any collateral in relation to these receivables.

None of the financial assets that are fully performing has been renegotiated in the last year.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term loan receivable with interest rate being repriced on a periodic basis. Since the Group's long-term loan was granted to a related party, there is no requirement for collateral or guaranty (Note 10).

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates for the next financial year, with all other variables held constant, of the Group's income before tax (through the impact on floating rate receivables):

	Change in interest rates	Effect on income before tax
2016		
	+1	1,062,868
	-1	(1,062,868)
2015		
	+0.1	196,750
	-0.1	(196,750)

The Group determined the reasonably possible change in interest rate using the percentage changes in floating rates for the past four quarters for the years ended December 31, 2016 and 2015.

(c) Equity price risk

Equity price risk is the risk that the fair value of equities will decrease resulting from changes in the levels of equity indices and the value of individual stocks.

The Group's price risk exposure relates to its quoted available-for-sale financial asset where values will fluctuate as a result of changes in market prices.

Such quoted available-for-sale financial asset is subject to price risk due to changes in market values arising from factors specific to the instruments or its issuer or factors affecting all instruments traded in the market.

The effect on other comprehensive income (as a result of a change in fair value of instruments held as available-for-sale financial asset) due to a reasonably possible change in indices, with all other variables held constant, is as follows:

	Change in equity price	Effect on other comprehensive income increase (decrease)
Quoted club share		
2016	+15	555,000
	-15	(555,000)
2015	+8	932,800
	-8	(932,800)

The Group determined the reasonably possible change in equity pricing percentage changes in the fair value for the past three years.

(d) Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and loans. The Group also monitors its risk to shortage of funds through monthly evaluation of the projected and actual cash flow information. The table below summarizes the maturity profile of the Group's other financial liabilities (undiscounted amounts of principal and related interest) as at December 31.

	On demand	Less than 3 months	3 to 12 months	More than one year	Total
2016					
Financial liabilities					
Accounts payable and other current liabilities*	202,205	2,381,067	-	-	2,583,272
Refundable deposits	-	-	1,946,839	-	1,946,839
	202,205	2,381,067	1,946,839	-	4,530,111
2015					
Financial liabilities					
Accounts payable and other current liabilities	108,691	1,466,654	-	-	1,575,345
Refundable deposits	-	-	1,885,757	-	1,885,757
	108,691	1,466,654	1,885,757	-	3,461,102

*Excluding output VAT, advance rentals, provisions and, other taxes and payables

18.2 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Group monitors capital using a debt to equity ratio, which is total liabilities divided by total equity. Total liabilities include current and noncurrent liabilities. Equity comprises all components of equity.

The Group's objective is to ensure that there are no known events that may trigger direct or contingent financial obligation that is material to the Group, including default or acceleration of an obligation.

The debt to equity ratios as at December 31 are as follows:

	2016	2015
Total liabilities	8,620,191	7,358,360
Total equity	1,017,851,666	1,018,807,606
Debt to equity ratio	0.008:1	0.007:1

The group is not subject to any externally imposed capital requirements.

18.3 Fair value estimation of financial assets and liabilities

(a) Loans and receivables

Due to the short-term nature of the Group's financial instruments, the carrying amounts approximate their fair values as at December 31, 2016 and 2015. The carrying amounts of interest-bearing long-term loan receivables approximate their fair values due to periodic repricing based on market interest rates.

(b) Available-for-sale financial assets

The fair value of quoted available-for-sale financial assets is determined by reference to quoted market bid price at the close of business at the end of the reporting dates since this is actively traded in organized financial markets. Unquoted available-for-sale financial assets are carried at cost, less any allowance for impairment loss.

(c) Fair value hierarchy

As at December 31, 2016 and 2015, the Group classifies its quoted available-for-sale financial asset amounting to P19.5 million and P15.8 million, respectively, under Level 1 of the fair value hierarchy. During the years ended December 31, 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

Note 19 - Critical accounting estimates, assumptions, and judgments

The preparation of the consolidated financial statements in conformity with PFRS requires management to make judgments, estimates, and assumptions that affect the amounts reported in the consolidated financial statements and the related notes. The estimates, assumptions, and judgments used are based upon management's evaluation of the relevant facts and circumstances as at the date of the consolidated financial statements. These are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from such estimates.

The estimates, assumptions, and judgments that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

19.1 Critical accounting estimates and assumptions

(a) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position or disclosed in the notes to consolidated financial statements cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models such as discounted cash flow technique. The related balances are disclosed in Note 18.3.

(b) Estimated useful lives of condominium units

The Group's management determines the estimated useful lives and related depreciation and amortization charges for its condominium units. This estimate is based on the expected future economic benefit to the Group. Management will increase the depreciation and amortization charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete assets that have been abandoned or sold. Management believes that the current estimated useful lives of condominium units (Note 20.7) approximate the actual economic benefits of these assets to the Group. Further, management does not foresee any changes in terms of business operations that would warrant reassessment of estimated useful lives. The carrying values of the investment properties are disclosed in Note 7. If the estimated useful lives of condominium units differed by 10%, the Group's income before income tax would increase/decrease by P0.03 million for the years ended December 31, 2016 and 2015.

19.2 Critical accounting judgments

(a) Operating lease - Group as lessor

The Group has entered into various commercial property leases on its investment properties. The Group has determined that it retains all the significant risks and rewards of ownership of these properties as the Group considered, among others, the length of the lease term as compared with the estimated life of the assets, the present value of the minimum lease payments at inception of the lease does not substantially cover the fair value of the leased asset, absence of: i) ownership transfer at the end of the lease term; and ii) option to purchase the asset at a sufficiently lower amount than fair value. The leased assets are also not of a specialized nature. The Group's operating lease contracts are accounted for as non-cancellable operating leases. In determining whether a lease contract is cancellable or not, the Group considers, among others, the significance of the penalty, including economic consequence to the lessee. Total rent income arising from operating leases amounted to P20.5 million for the year ended December 31, 2016 (2015 - P19.4 million).

(b) Contingencies

The Group is currently involved in a legal proceeding and claims by third parties. The estimate of the probable cost for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings and claims by third parties will have a material effect on the Group's consolidated financial statements (Note 17).

(c) Impairment of investment properties

The Group assesses impairment on investment properties whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. The Group recognizes an impairment loss if such indications are present and whenever the carrying amount of an asset exceeds its recoverable amount. This requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Group to conclude that these assets are impaired. Any resulting additional impairment loss could have a material adverse impact on the Group's financial condition and results of operations.

As at December 31, 2016 and 2015, there are no indicators of impairment noted on the Group's investment properties. The carrying values of investment properties amounted to P209.5 million and P209.9 million as at December 31, 2016 and 2015, respectively.

(d) Determining impairment of receivables

The Group maintains an allowance for doubtful accounts on its receivables at a level considered adequate to provide for any potential uncollectible receivable. The level of this allowance is regularly evaluated by the Group. The Group assesses whether objective evidence of impairment exists for a receivable by considering the financial condition of the counterparty. The Group reviews the status of the receivables and identifies amounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in the Group's allowance for doubtful accounts would increase the Group's recorded expenses and decrease current assets. The carrying value of the Group's receivables amounted to P353.7 million and P324.2 million as at December 31, 2016 and 2015, respectively (Note 3). Provision for doubtful accounts on the Group's receivables as at December 31, 2016 and 2015 amounted to P2.2 million (Note 3). There were no past due accounts as at December 31, 2016 and 2015 that were not already provided with provision for doubtful accounts.

(e) Determining impairment of other current assets

Management believes that the Group's input VAT and CWT may not be recoverable because of the expected future minimal transactions where the Group's input VAT and CWT will be utilized. Provision for impairment loss amounted to P3.3 million and P3.1 million as at December 31, 2016 and 2015, respectively. Other current assets, net, amounted to P0.1 million and P1.0 million as at December 31, 2016 and 2015, respectively (Note 4).

The amount and timing of recorded expenses for any period would therefore differ based on the judgment or estimates made. If assessment of recoverability of input VAT and CWT was favorable, the Group's recorded expense would decrease by P1.0 million (2015 - P0.4 million).

(f) Impairment of available-for-sale financial assets

The Group recognizes impairment losses on available-for-sale financial assets when there has been a significant or prolonged decline in the fair value of such investments below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. In determining whether the decline in value is significant, the Group considers historical volatility of market price (i.e., the higher the historical volatility, the greater the decline in fair value before it is likely to be regarded as significant) and the period of time over which the market price has been depressed (i.e., a sudden decline is less significant than a sustained fall of the same magnitude over a longer period). Future events could cause the Group to conclude that these assets are impaired. Any resulting additional impairment loss could have a material impact on the Group's consolidated financial statements. Allowance for impairment of available-for-sale financial assets amounted to P0.9 million as at December 31, 2016 and 2015. The carrying value of available-for-sale financial assets amounted to P19.5 million and P15.8 million as at December 31, 2016 and 2015, respectively (Note 5). Details of the sensitivity analysis performed on change in market price are shown in Note 18.1 (c).

(g) Impairment of investments in associates

Investments in associates carried at equity method are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. As at December 31, 2016, there was no additional allowance for impairment of investment in associate (2015 - P0.2 million).

In 2016, the Group approved the write-off of KPCI and GVI, associates who were already issued with tax clearance and certificate of dissolution. The related investment on these associates have been fully provided for as at December 31, 2015 (Note 6).

(h) Recognition of deferred income tax assets

The Group's assessment on the recognition of deferred income tax assets on non-deductible temporary differences, and carryforward benefit of NOLCO and MCIT, is based on the forecasted taxable income of the following subsequent periods. This forecast is based on the Group's past results and future expectations on revenues and expenses. Management believes that future taxable profit may not be available against which these temporary differences and carryforward benefit of NOLCO and excess MCIT can be applied, thus, no deferred income tax assets and MCIT were recognized as at December 31, 2016 and 2015 (Note 14).

Note 20 - Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

20.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

The preparation of the consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where estimates and assumptions are significant to the consolidated financial statements are disclosed in Note 19.

Changes in accounting policies and disclosures

(a) New interpretation and amended standards adopted by the Group

There are no new standards, amendments to existing standards, and interpretations which are effective for the financial year beginning on January 1, 2016 which would have a significant impact or is considered relevant to the Group's consolidated financial statements.

(b) New standards, amendments to existing standards and interpretations not yet adopted

A number of new standards, and amendments and interpretations to existing standards are effective for annual periods after January 1, 2017, and have not been applied in preparing these consolidated financial statements. None of these are expected to have an effect on the Group's consolidated financial statements, except as set out below:

- *PFRS 9, 'Financial instruments'* (effective January 1, 2018), deals with the classification, measurement, and impairment of financial instruments, as well as hedge accounting. PFRS 9 replaces the multiple classification and measurement models for financial assets in PAS 39 with a single model that has three classification categories: amortized cost, fair value through other comprehensive income, and fair value through profit or loss. Classification under PFRS 9 is driven by the entity's business model for managing the financial assets and whether the contractual characteristics of the financial assets represent solely payments of principal and interest. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income. The classification and measurement of financial liabilities under PFRS 9 remains the same as in PAS 39 except where an entity has chosen to measure a financial liability at fair value through profit or loss. For such liabilities, changes in fair value related to changes in own credit risk are presented separately in other comprehensive income.

The impairment rules of PFRS 9 introduce an expected credit losses model that replaces the incurred loss impairment model used in PAS 39. Such new impairment model will generally result in earlier recognition of losses compared to PAS 39.

The hedging rules of PFRS 9 better align hedge accounting with an entity's risk management strategies. Also, some of the prohibitions and rules in PAS 39 are removed or changed, making hedge accounting easier or less costly to achieve for many hedges.

Early adoption is permitted. The Group intends to adopt the standard on January 1, 2018 but has assessed that it will not have a significant effect on its consolidated financial statements as a result of adoption of this standard as its financial instruments are limited to loans and receivables, and financial liabilities at amortized cost.

- *PFRS 15, 'Revenue from contracts with customers'* (effective January 1, 2018), deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and, thus has the ability to direct the use and obtain the benefits from the good or service. Under the new standard, the notion of control replaces the existing notion of risks and rewards. The standard replaces PAS 18, Revenue, and PAS 11, Construction Contracts, and related interpretations. A five-step process must be applied before revenue can be recognized which include: (i) identification of contracts with customers; (ii) identification of the separate performance obligation; (iii) determination of the transaction price of the contract; (iv) allocation of the transaction price to each of the separate performance obligations; and (v) recognition of revenue as each performance obligation is satisfied. Revenue may also be recognized earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome, etc.) - minimum amounts must be recognized if these are not at significant risk of reversal. Further, the point at which revenue is able to be recognized may shift: some revenue which is currently recognized at a point in time at the end of a contract may have to be recognized over the contract term and vice versa. The Group has yet to assess the full impact of the standard, but initially does not expect to have material changes on its current accounting treatment of existing lease agreements.
- *PFRS 16, 'Leases'* (effective January 1, 2019). The standard now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The International Accounting Standards Board (IASB) has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under PFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Earlier application is permitted, but only in conjunction with PFRS 15, Revenue from Contracts with Customers. In order to facilitate transition, entities can choose a 'simplified approach' that includes certain reliefs related to the measurement of the right-of-use asset and the lease liability, rather than full retrospective application; furthermore, the 'simplified approach' does not require a restatement of comparatives. In addition, as a practical expedient entities are not required to reassess whether a contract is, or contains, a lease at the date of initial application (that is, such contracts are "grandfathered"). The Group does not foresee any significant effect on the consolidated financial statements as it is mainly the lessor in the existing lease agreements, however, it will continue its assessment and finalize the same upon effective date of the new standard.

20.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of Parent Company and its subsidiaries as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016. The Group uses uniform accounting policies; any difference between the subsidiaries and Parent Company are adjusted properly.

All intra-group balances, transactions, and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

Assessment of Control

The Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights; to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Non-controlling interests (NCI) pertain to the equity in a subsidiary not attributable, directly, or indirectly to the Parent Company. NCI represent the portion of profit or loss and the net assets not held by the Group and are presented separately in the consolidated statement of income and consolidated statement of total comprehensive income and within equity in the consolidated statement of financial position and consolidated statement of changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Parent Company and to the NCI, even if this results in the NCI having a deficit balance.

Acquisitions of NCI are accounted for using the acquisition method, whereby the Group considers the acquisition of NCI as an equity transaction. Any premium or discount on subsequent purchases from NCI shareholders is recognized directly in equity and attributed to the owners of the parent.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss

- Reclassifies the parent company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

As at December 31, 2016 and 2015, NCI pertains to 44% and 5% ownership of KPMI Retirement Plan and KPMI, respectively in GRDC.

The financial information of GRDC and its wholly-owned subsidiary, GMRI, is provided below. This information is based on amounts before inter-company eliminations.

	2016			2015		
	GRDC	GMRI	Total	GRDC	GMRI	Total
Current assets	181,153	151,482,138	151,663,291	155,543	98,917,125	99,072,668
Noncurrent assets	4,316,762	661,261,446	665,578,208	4,426,794	712,030,418	716,457,212
Total assets	4,497,915	812,743,584	817,241,499	4,582,337	810,947,543	816,529,880
Current liabilities	4,010,328	421,560	4,431,888	4,332,672	231,643	4,564,315
Noncurrent liabilities	-	1,692,800	1,692,800	-	1,731,517	1,731,517
Total liabilities	4,010,328	2,114,360	6,124,688	4,332,672	1,963,160	6,295,832
Revenue	546,857	10,177,820	10,724,477	500,206	10,156,584	10,656,790
Other income	-	18,656,006	18,656,006	-	27,964,854	27,964,854
Net Income	237,923	21,644,841	21,882,764	225,400	30,702,718	30,928,118
Total comprehensive income	237,923	21,644,841	21,882,764	225,400	30,702,718	30,928,118
Cash flows from:						
Operating activities	(270,597)	5,065,719	4,795,122	(395,788)	4,071,184	3,675,396
Investing activities	296,000	(4,398,274)	(4,102,274)	251,600	22,419,090	22,670,690
Financing activities	-	(20,000,000)	(20,000,000)	-	(17,000,000)	(17,000,000)
Net increase (decrease) in cash and cash equivalents	25,403	(19,332,555)	(19,307,152)	(144,188)	9,490,274	9,346,086
Accumulated balance of material NCI	-	-	436,971,578	-	-	436,434,544
Net income attributable to material NCI	-	-	10,191,034	-	-	13,751,619

There are no significant restrictions on the Group's ability to use the assets or settle liabilities within the Group. There is no difference on the voting rights on non-controlling interests compared to majority shareholders.

20.3 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risks of changes in value. These are carried in the consolidated statement of financial position at face amount or at nominal amount.

20.4 Receivables

Receivables arising from regular sale of services with average credit term of 30 to 60 days are measured at the original invoice amount which approximates fair value (as the effect of discounting is immaterial), less any provision for impairment. Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any provision for impairment.

Receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as non-current assets.

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of income within operating expenses. When a receivable remains uncollectible after the Group has exerted all legal remedies, it is written-off against the allowance account for receivables. Subsequent recoveries of amounts previously written-off are credited against operating expenses in the consolidated statement of income.

20.5 Financial instruments

(a) Classification

The Group classifies its financial assets and liabilities according to the categories described below. The classification depends on the purpose for which the financial assets and liabilities were acquired. Management determines the classification of its financial assets and liabilities at initial recognition.

Financial assets

The Group classifies its financial assets in the following categories: loans and receivables, held-to-maturity investments, available-for-sale financial assets at fair value through profit or loss. As at December 31, 2016 and 2015, the Group only has financial assets classified as loans and receivables and available-for-sale financial assets.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months after the reporting date, in which case, these are classified as non-current assets. At December 31, 2016 and 2015, the Group's loans and receivables include cash and cash equivalents, loan receivables, current portion of lease receivables, interest receivables, and due from related parties.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the three other categories. The Group designates financial instruments in this category if these are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions (Note 5).

Financial liabilities

The Group classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those designated at fair value); and financial liabilities at amortized cost. The Group's financial liabilities are of the nature of financial liabilities at amortized cost.

Financial liabilities at amortized cost pertains to issued financial instruments that are not classified as at fair value through profit or loss and contain contract obligations to deliver cash or another financial asset to the holder or to settle the obligation other than the exchange of a fixed amount of cash. These are included in current liabilities, except for maturities greater than 12 months after the reporting period which are classified as non-current liabilities.

The Group's financial liabilities at amortized cost include accounts payable and other current liabilities (except payable to government agencies) and refundable deposits.

(b) Recognition and measurement

(i) Initial recognition and measurement

Regular purchases and sales of investments are recognized on trade date (the date on which the Group commits to purchase or sell the asset) at invoice amount. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets and liabilities are initially recognized at fair value plus transaction costs.

The Group recognizes a financial liability in the consolidated statement of financial position when the Group becomes a party to the contractual provision of the instrument. Financial liabilities at amortized cost are initially recognized at fair value.

(ii) Subsequent measurement

Loans and receivables are subsequently carried at amortized cost using the effective interest method, less provision for impairment.

Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of monetary and non-monetary assets classified as available-for-sale are recognized in other comprehensive income.

Financial liabilities at amortized cost are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

(c) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Loans and receivables

For loans and receivables, the Group first assesses whether objective evidence of impairment exists individually for receivables that are individually significant, and collectively for receivables that are not individually significant using the criteria above. If the Group determines that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses those for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognized in profit or loss. If loans and receivables have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss. Reversals of previously recorded impairment provision are based on the result of management's update assessment, considering the available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered into with customers as to the recoverability of receivables at the end of the reporting period.

Subsequent recoveries of amounts previously written-off are credited against operating expenses in profit or loss.

Impairment testing of receivables is described in Note 20.4.

(ii) Available-for-sale financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in profit or loss. Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss.

(d) Derecognition

Financial assets are derecognized when the rights to receive cash flows from assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognized when extinguished, i.e. when the obligation is discharged or is cancelled or has expired.

(e) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty. As at December 31, 2016 and 2015, there were no offsetting arrangements.

20.6 Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are accounted for using the equity method in the consolidated financial statements from the date on which it becomes an associate. Cumulative adjustments for periods prior to this event are not recognized.

Under the equity method, the investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any dividends declared and impairment in value. If an investor's share of losses of an associate equals or exceeds its interest in the associate, the investor discontinues recognizing its share of further losses. The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the investor's net investment in the associate. After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the associate. The consolidated statement of income reflects the Group's share in the results of operations of the associates. This is included in the "Equity in net earnings of associates" account in the consolidated statement of income. After the Group's interest is reduced to zero, additional losses are provided to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any change and discloses this, when applicable, in the consolidated statement of changes in equity.

When an associate makes dividend distributions to the Group in excess of the carrying amount, a liability should only be recognized if the Group is obliged to refund the dividend, has incurred a legal or constructive obligation or made payments on behalf of the associate. In the absence of such obligations, the Group recognizes the excess in net profit for the period. When the associate subsequently makes profits, the Group will start recognizing profits when they exceed the excess cash distributions recognized in net profit plus any previously unrecognized losses.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Unrealized gains arising from intercompany transactions with its associates are eliminated to the extent of the Group's interest in the associate, against the investment in the associate. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

Investment in associate is derecognized upon disposal or loss of significant influence over an associate. Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

20.7 Investment properties

Investment property is defined as property held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both, rather than for: (a) use in the production of supply of goods or services or for administrative purposes; or (b) sale in the common course of business.

The Group's investment property, principally comprising of land, building, and condominium units, are held for capital appreciation and is not occupied by the Group. The Group has adopted the cost model for its investment properties (Note 7).

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of the property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Depreciation and amortization of investment properties are computed using the straight-line method over the following estimated useful lives:

Building and improvements	7 to 25
Condominium units	25

The fair value of the investment properties is categorized as Level 3 which used adjusted inputs for valuation that are unobservable as at the date of valuation. The inputs used were asking prices of similar listings and offerings. Significant increases or decreases in asking price would result in higher or lower fair value of the asset.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in profit or loss in the year of retirement or disposal.

20.8 Property and equipment

Property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. Depreciation is calculated on a straight-line basis over the useful lives of the assets.

The assets' residual values, useful lives and method of depreciation are reviewed, and adjusted if appropriate, at each financial year-end. When a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Condominium units	15 to 25
Office machine, furniture and fixtures	1 to 5
Transportation equipment	5

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

20.9 Impairment of non-financial assets

Assets that have an indefinite useful life, including land held for development, investment property (carried at fair value), and investment in subsidiaries, are not subject to depreciation and amortization and are tested annually for impairment.

Assets that have definite useful life are subject to depreciation and amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that are impaired are reviewed for possible reversal of the impairment at each reporting date.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in profit or loss.

20.10 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

(a) Financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1. The available-for-sale financial assets of the Group are classified under Level 1 category.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2. There are no financial instruments that fall under the Level 2 category.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. There are no financial instruments that fall under the Level 3 category. There were no transfers from one category to another in 2016 and 2015.

(b) Non-financial assets or liabilities

The Group uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Level 1 fair values of investment properties have been derived using the sales comparison approach. This comparison approach considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.

The Group has no non-financial assets or liabilities classified under Level 2 and 3 category.

20.11 Equity

(a) Share capital and share premium

Share capital is measured at par value for all shares issued. When the Group issues shares in excess of par, the excess is recognized as share premium. Incremental costs incurred directly attributable to the issuance of new shares are treated as deduction from share premium.

(b) Treasury shares

Treasury shares are recorded at cost and presented as a deduction from equity. When the shares are retired, the share capital account is reduced by the par value and the excess of cost over par value upon retirement is debited to share premium to the extent of the specific or average share premium when the shares were issued and to retained earnings for the remaining balance.

(c) Retained earnings

Retained earnings include current and prior year's results of operations, net of transactions with shareholders and dividends declared, if any.

Cash dividend distribution to the Group's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Group's BOD.

20.12 Revenue, income, and expense recognition

(a) Revenue and income

Revenue or income is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue or income can be reliably measured. In arrangements where the Group is acting as principal to its customers, revenue or income is recognized on a gross basis. However, if the Group is acting as an agent to its customers, only the amount of net commission retained is recognized as revenue or income.

The following specific recognition criteria must also be met before revenue or income is recognized:

(i) Rental income

Rental income from investment properties is accounted for on a straight-line basis over the lease term.

(ii) Interest income

Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

(iii) Management fees

Management fees are recognized as the services are rendered based on the terms of the management contract.

(iv) Directors' fees

Directors' fees are recognized as the services are rendered.

(v) Dividend income

Dividend income is recognized when the shareholders' right to receive the payment is established.

(b) Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Expenses are recognized in profit or loss in the period these are incurred.

20.13 Employee benefits

Short-term employee benefits include items such as salaries and wages, social security contributions and non-monetary benefits, if expected to be settled wholly within 12 months after the end of the reporting period in which the employees rendered the related services. Short-term employee benefits are recognized as expense as incurred. When an employee has rendered service to the Group during the reporting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as a liability (accrued expense), after deducting any amount already paid. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value, if material.

The related liability on employee benefits is derecognized when the obligation is discharged or cancelled.

20.14 Leases - Group as lessor

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date, whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

- (a) there is a change in the contractual terms, other than a renewal or extension of the arrangement;
- (b) a renewal option is exercised or extension granted, unless the term of the renewal and extension was initially included in the lease term;
- (c) there is a change in the determination of whether the fulfillment is dependent on a specified asset;
or
- (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date of the change in circumstances that gave rise to the reassessment for scenarios (a), (c), and (d) above and at the date of renewal or extension period for scenario (b).

Group as a lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from these operating leases is recognized on a straight-line basis over the lease term.

Refundable deposits

Refundable deposits are measured initially at fair value and are subsequently measured at amortized cost using the using effective interest method. Refundable deposits are measured at the original amount (as the effect of discounting is immaterial). These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, these are presented as non-current liabilities. These are derecognized once refunded to customers.

Advance rentals

Advance rentals represent rentals paid in advance by the tenants that are to be applied in subsequent month's rental. These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, these are presented as non-current liabilities. These are derecognized once applied against rent due.

20.15 Income taxes

The income tax expense for the period comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates based on existing laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (NOLCO) and unused tax credits (excess MCTI) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates, and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

The Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax liabilities are recognized in full for all taxable temporary differences, except to the extent that the deferred income tax liability arises from the initial recognition of goodwill. Deferred income tax liabilities are provided on taxable temporary differences arising from investments in associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax assets and liabilities are derecognized when related bases are realized/settled or when it is no longer realizable/due.

20.16 Other assets

Revenue, expenses, and assets are recognized net of the amount of sales tax except:

- where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the acquisition cost of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

Input VAT is carried at face amount or at nominal amount less allowance for impairment loss. The net amount of VAT recoverable from, or payable to, the tax authority is included as part of other current assets or liabilities in the consolidated statement of financial position.

CWT is recognized as assets in the period such excess income tax payments become available as tax credits to the Group and carried over to the extent that it is probable that the benefit will flow to the Group. These are derecognized when there is a legally enforceable right, as prescribed by the applicable laws, to apply the recognized amounts against the related income tax due.

20.17 Accounts payable and other current liabilities

Accounts payable and other current liabilities are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established. These are recognized initially at fair value and subsequently measured at amortized cost using effective interest method. Accounts payable and other current liabilities are classified as current liabilities if payment is due within 12 months or less (or in the normal operating cycle of the business, if longer). If not, these are presented as non-current liabilities.

Accounts payables and other current liabilities are measured at the original invoice amount (as the effect of discounting is immaterial). The relevant policies on classification, recognition, measurement and derecognition are described in Note 20.5. Payables to government agencies are not considered financial liabilities but are derecognized similarly.

20.18 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing net income attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the year, excluding common shares purchased by and held as treasury shares.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential common shares. As at report date, the Parent Company has no dilutive potential common shares.

20.19 Operating segments

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 16.

20.20 Provisions

Provisions, if any, are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

20.21 Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes when inflows of economic benefits are probable. If it becomes virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

20.22 Reclassifications

Certain accounts have been reclassified on the consolidated financial statements and supporting note disclosures to conform to the current year presentation. Advance rentals and refundable deposits amounting to P459,049 and P549,341, respectively, were reclassified from current liabilities to non-current liabilities in 2015. Additionally, recovery of provision for impairment of input VAT and CWT for the years ended December 31, 2015 and 2014 amounting to P2,004,521 and P765,873, respectively, were offset against provision for impairment losses. The reclassifications did not have any impact on previously reported consolidated financial position, equity, retained earnings, and net income.

The reclassification of advance rentals and refundable deposits in 2015 did not have any material impact on the consolidated statement of financial position as at January 1, 2014.

20.23 Events after the financial reporting date

Post year-end events that provide additional information about the Group's position at the end of the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

Keppel Philippines Holdings, Inc. and Subsidiaries

Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as at December 31, 2016

The following table summarizes the effective standards and interpretations as at December 31, 2016:

		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements				
	Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓

		Adopted	Not Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Transition Disclosures*	✓		
	Amendments to PFRS 7: Disclosures - Hedge Accounting*	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments*	Not early adopted		
	Amendments to PFRS 9: Transition Disclosures*	Not early adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Consolidation for Investment Entities	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception*			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Acquisitions of an Interest in a Joint Operation*			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception*			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts*			✓
PFRS 15	Revenue from Contracts with Customers*	Not early adopted		
PFRS 16	Leases*	Not early adopted		
	Presentation of Financial Statements	✓		

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		Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Financial Statement Disclosures*	Not early adopted		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 16 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Acceptable Methods of Depreciation and Amortization*			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants*			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Contributions from Employees or Third Parties*			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment to PAS 21: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		

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		Adopted	Not Adopted	Not Applicable
PAS 26	Accounting and Reporting by Retirement Benefit Plans*			✓
PAS 27 (Revised)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Consolidation for Investment Entities			✓
	Amendments to PAS 27: Use of Equity Method in Separate Financial Statements*			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contributions of Assets between an Investor and its Associate or Joint Venture*		✓	
	Amendments of PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception*		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 16 and PAS 38: Acceptable Methods of Depreciation and Amortization*			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓

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		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to IFRIC 9 and PAS 39: Embedded Derivatives			✓
	Amendments to PAS 39: Novation of Derivatives			✓
	Amendments to PAS 39: Hedge Accounting*			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants*			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓

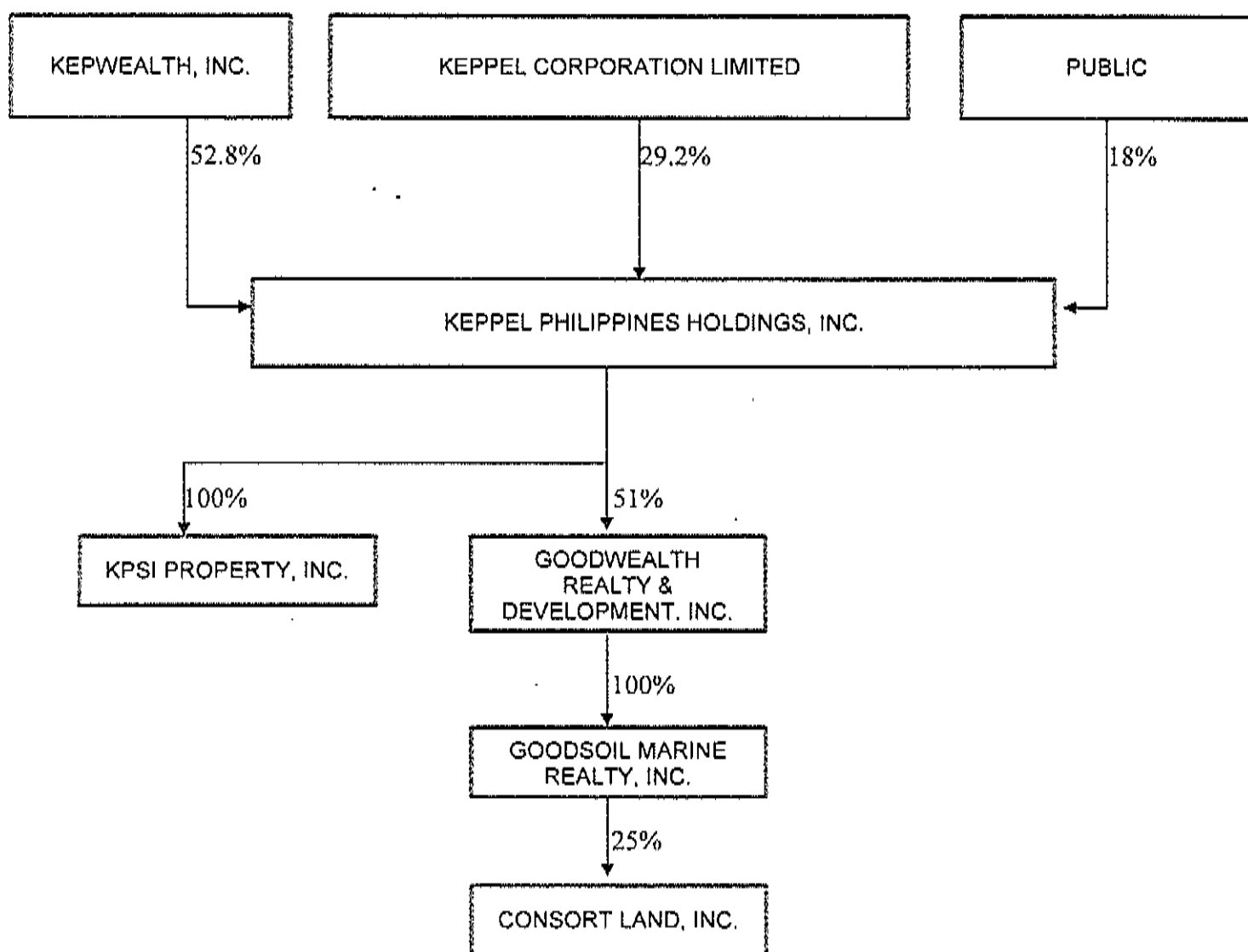
		Adopted	Not Adopted	Not Applicable
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to IFRIC 14: Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate*			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

*These are standards, interpretations, and amendments to existing standards that have been issued but not yet effective as at December 31, 2016.

The standards and interpretations that are labeled as "Not Applicable" are either already effective or not yet effective as at December 31, 2016 but will never be relevant/applicable to the Group or are currently not relevant to the Group because it has currently no related transactions.

Keppel Philippines Holdings, Inc. and Subsidiaries

Map of the Group of Companies within which the Reporting Entity Belongs
December 31, 2016



Keppel Philippines Holdings, Inc. and Subsidiaries

Key Financial Ratios

As at December 31, 2016

(With comparative figures as at December 31, 2015 and 2014)

	2016	2015	2014
A. Current and Liquidity Ratios			
1. Current ratio (Current assets/Current liabilities)	52.22	45.09	26.99
2. Acid test ratio or Quick ratio (Monetary current assets/Current liabilities)	52.20	44.87	26.96
B. Solvency ratio (Net income + depreciation)/Total liabilities	2.80	3.72	3.52
C. Debt to equity ratio (Total liabilities/Shareholders' equity)	0.01	0.01	0.01
D. Asset to equity ratio	1.01	1.01	1.01
E. Debt ratio (Total liabilities/Total assets)	0.01	0.01	0.01
F. Interest coverage ratio (EBIT/Interest expense)	-	-	-
G. Profitability ratios			
1. Return on assets (%) (Net income/Total assets)	2.31	2.62	2.59
2. Return on equity (%) (Net income/Shareholders' equity)	2.33	2.64	2.61
H. Earnings per share attributable to equity holders of parent (P)			
2016 - 57,803,419 shares	0.24		
2015 and 2014 - 60,367,419 shares		0.22	0.20

Keppel Philippines Holdings, Inc. and Subsidiaries

Schedule A - Financial Assets
As at December 31, 2016
(All amounts in Philippine Peso)

Name of issuing entity and description of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the Statement of Financial Position	Value based on market quotations at statement date	Income received and accrued
Available for sale financial assets*				
Wack-Wack Golf and Country Club, Inc.	1	19,500,000	19,500,000	-
Universal Rightfield Property Holdings, Inc.	4,400,000	1	1	-
		19,500,001	19,500,001	
Cash and cash equivalents**	-	24,316,162	24,316,162	586,367
Receivables	-	319,806,843	319,806,643	10,042,311
		363,622,806	363,622,806	10,628,678

* See Note 5 to the Consolidated Financial Statements.

** See Note 2 to the Consolidated Financial Statements.

Keppel Philippines Holdings, Inc. and Subsidiaries

**Schedule B -Amounts Receivable from Directors, Officers,
Employees, Related Parties and Principal Stockholders
(Other than Related Parties)**

**As at December 31, 2016
(All amounts in Philippine Pcs0)**

Name and designation of debtor	Beginning balance	Additions	Deduction		Current	Non-current	Ending balance
			Amount collected	Amount written-off			
Keppel Philippines Marine, Inc.	324,111,652	200,595,288	(171,488,117)	-	231,862,834	121,355,989	353,218,823
Keppel Subic Shipyard, Inc.	3,388	84,205	(69,085)	-	18,508	-	18,508
Keppel Philippines Properties, Inc.	-	305,126	(305,126)	-	-	-	-
Keppel Philippines Properties, Inc.	19,869	-	(19,869)	-	-	-	-
	324,134,909	200,984,619	(171,882,197)	-	231,881,342	121,355,989	353,237,331

See Notes 3 and 10 to the Consolidated Financial Statements.

Keppel Philippines Holdings, Inc. and Subsidiaries

Schedule C - Amounts Receivable from Related Parties
 which are eliminated during the Consolidation of Financial Statements
 As at December 31, 2016
 (All amounts in Philippine Peso)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Goodwealth Realty and Development Corporation	4,226,722	54,600	(354,600)	-	3,926,722	-	3,926,722
Total							

Keppel Philippines Holdings, Inc. and Subsidiaries

Schedule D. Intangible Assets - Other Assets

December 31, 2016

(All amounts in Philippine Peso)

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Not applicable						

Keppel Philippines Holdings, Inc. and Subsidiaries

Schedule E - Long-Term Debt
As at December 31, 2016
(All amounts in Philippine Peso)

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet
Not applicable			

Keppel Philippines Holdings, Inc. and Subsidiaries

Schedule F - Indebtedness to Related Parties

As at December 31, 2016

(All amounts in Philippine Peso)

Name of affiliate	Beginning balance	Ending balance
Keppel Philippines Marine, Inc. (advance rental)	231,001	232,956
Keppel Philippines Marine, Inc. (security deposit)	231,000	232,954
	462,001	465,910

See Notes 9 and 10 to the Consolidated Financial Statements.

Keppel Philippines Holdings, Inc. and Subsidiaries

Schedule G - Guarantees of Securities of Other Issuers
As at December 31, 2016
(All amounts in Philippine Peso)

Name of issuing entity of securities guaranteed by the company for which statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by the company for which statement is filed	Nature of guarantee
Not applicable				

Keppel Philippines Holdings, Inc. and Subsidiaries

Schedule H - Capital Stock
As at December 31, 2016
(All amounts in Philippine Peso)

Title of issue	Number of shares authorized	Number of shares issued and outstanding	Number of shares reserved for options, warrants, conversions, and other rights	Number of shares held by		
				Affiliates	Directors, officers, and employees	Others
Issued shares:						
Common class "A"	90,000,000	39,840,970	-	-	-	-
Common class "B"	200,000,000	33,332,530	-	-	-	-
Total	290,000,000	73,173,500	-	-	-	-
Less treasury shares:						
Common class "A"	-	3,674,000	-	-	-	-
Common class "B"	-	11,696,081	-	-	-	-
Total	-	15,370,081	-	-	-	-
Outstanding shares:						
Common class "A"		36,166,970	-	28,817,184	2	7,349,784
Common class "B"		21,636,449	-	18,609,834	4	3,026,611
Total		57,803,419	-	47,427,018	6	10,376,395

See Notes 11 and 12 to the Consolidated Financial Statements.

Keppel Philippines Holdings, Inc.Reconciliation of Retained Earnings
As at December 31, 2016
(All amounts in Philippine Peso)

Unappropriated Retained Earnings, based on audited financial statements, beginning		80,169,498
Less: Cumulative fair value adjustment		-
Unappropriated Retained Earnings, adjusted		80,169,498
Add: Net income actually earned/realized during the period	12,315,243	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	-	
Unrealized foreign exchange gain (except those attributable to cash and cash equivalents)	-	
Unrealized actuarial gain	-	
Fair value adjustment	-	
Fair value adjustment of investment property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP - gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	-	
Sub-total	12,315,243	92,484,741
Add: Non actual losses		
Depreciation on revaluation in revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Net income actually earned during the period	-	92,484,741
Add (Less):		
Dividend declarations during the year	(6,036,742)	
Appropriations of retained earnings during the year	-	
Reversals of appropriations	-	
Effects of prior period adjustments	-	
Treasury shares	(22,622,976)	
Accumulated share in income of an associate	-	
	(28,659,718)	63,825,023